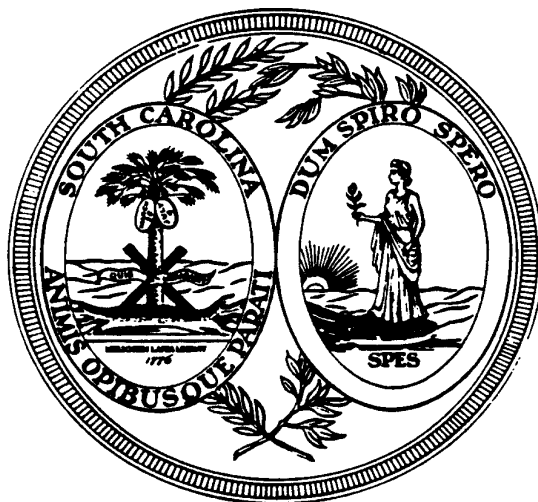

South Carolina Legislative Audit Council

LAC

Report to the General Assembly

April 1999

A Review of South Carolina's Management of State-Owned Land



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Contents

| | |
|--|---|
| Synopsis | v |
| Chapter 1 Introduction | Audit Objectives 1 Background 2 |
| Chapter 2 Land Inventory, Planning, and Acquisition | Overall Finding 7 Statewide Inventory 9 Titling Property 16 Land-Use Planning 18 Communications Towers on State Land 20 The Land Acquisition Process 21 |
| Chapter 3 Management of Surplus Property | Surplus Property 25 List of Potential Surplus Property 34 |
| Chapter 4 Individual Agency Land Management | State Budget and Control Board 37 Department of Mental Health 39 South Carolina Forestry Commission 42 University of South Carolina 45 Department of Natural Resources 48 South Carolina Department of Transportation 50 |

Appendices

| | | |
|---|---|----|
| A | Scope and Methodology | 55 |
| B | List of Agencies and Other State Government Institutions Owning Property | 57 |
| C | Agency Comments | 59 |

Synopsis

Members of the General Assembly requested that we conduct a study of the state's system for managing real property. Real property is defined as land and buildings. South Carolina state government owns almost one million acres of land and 8,415 buildings. We reviewed policies and procedures for how state agencies acquire, use, manage, and dispose of real property. We also reviewed in detail the property holdings and land management of six state agencies. Our findings include:

- ❑ South Carolina lacks an overall system to manage real property as an asset from a state-wide, best-use perspective. Asset management can increase the value of the state's resources. We found that the state of South Carolina has in place some of the generally accepted elements needed to manage real property. However, legislative action may be needed to establish a statewide system and to strengthen and centralize specific management functions (see p. 7).
- ❑ Prior to the start of our review, staff at the Office of General Services of the State Budget and Control Board (B&CB) were compiling an inventory of state-owned land. Until work on their inventory is completed, the size and use of the state's real property assets are unknown. Compiling a statewide land inventory and ensuring its accuracy have been complicated by several factors (see p. 9).
- ❑ The lack of a standardized format for recording titles has created great difficulty in the compilation of a statewide inventory. We found that state-owned property was titled in more than 185 variations of agency names (see p. 16).
- ❑ State government in South Carolina does not have a master land plan to guide the acquisition and use of state property. Individual agencies determine when and where property is to be acquired, with limited oversight by the state. While the B&CB and the Joint Bond Review Committee approve all land purchases, the current process needs improvement. For example, the permanent improvement process does not require agencies to report on the extent of their deferred maintenance backlog (see pp. 18 – 22).

- ❑ South Carolina has not implemented a comprehensive system to identify, evaluate, and dispose of unused or unneeded land. There is little or no external or internal review to determine if lands could be declared surplus. The B&CB relies on individual state agencies to declare property surplus. South Carolina Code §1-11-58, which took effect in 1997, requires each state agency to annually “. . . report . . . all . . . surplus real property owned by it.” As of January 1999, only 5 of the 34 agencies responding reported any surplus property, consisting of 5 parcels totaling 120 acres (see p. 25).
- ❑ The state’s process for disposing of surplus property lacked flexibility until amendments were made to South Carolina Code §1-11-58, allowing for the use of brokers and other suitable methods when disposing of surplus real estate. The Office of General Services did not finalize new changes to surplus property disposal procedures until October 1998. Some properties have conditions or problems which might inhibit their sale, such as reversion clauses, contamination, cemeteries, donor restrictions, and title disputes. State law governing the disposition of proceeds from the sale of land is not consistent (see p. 27).
- ❑ We were able to identify 53 pieces of property as potentially surplus to agency needs. In general, these parcels are either vacant, unused, or under-used. Using existing appraisals and information from county tax assessors’ offices, we could find values for 40 of these parcels for a total of \$13.4 million (see p. 34).
- ❑ We reviewed the land owned by six large land-owning state agencies. These agencies are: The State Budget and Control Board, the Department of Mental Health, the South Carolina Forestry Commission, the University of South Carolina, the Department of Natural Resources, and the South Carolina Department of Transportation (see p. 37).

Introduction

Members of the General Assembly requested that the Legislative Audit Council conduct a study of the state's system for managing real property. This request was made in conjunction with recent changes in the law which gave the State Budget and Control Board (B&CB) additional authority to inventory and manage surplus real property from a statewide perspective. We were asked to coordinate our work with the on-going efforts of the B&CB, and to recommend how the state and the General Assembly can make the best use of real property assets.

Audit Objectives

Based on the written audit request and preliminary interviews with legislative and agency officials, we developed the following objectives for this audit.

1. Review the current inventory of state real property holdings for accuracy and completeness.
2. Examine the advantages and disadvantages of titling all real property in the name of the state instead of individual state agencies.
3. Review possible benefits of a statewide real property management plan.
4. Review the state's process for acquiring and managing real property and whether this promotes the efficient use of real property.
5. Determine how and when state-owned land and buildings should be declared surplus.
6. Determine how other states and the federal government manage their real property holdings and what "best practices" could be applicable to South Carolina.
7. Determine if state agencies have the authority to retain funds from the disposal of surplus real property, and whether this is consistent among agencies and conducive to the disposal of unneeded property.
8. Review the real property held by a selected number of state agencies and determine whether the agency has any property which meets the criteria for surplus.

This report was conducted in accordance with generally accepted governmental accounting standards. The scope and methodology used for this report are described in Appendix A.

Background

This audit focuses on the way state agencies acquire, use, manage, and dispose of real property. South Carolina state government owns almost one million acres of land and more than 8,400 buildings. The land holdings can be broken down into four different categories — land owned and used by state agencies, institutions of higher education, South Carolina Department of Transportation (SCDOT) for rights-of-way, and authorities or “exempt” agencies, including Santee Cooper (the Public Service Authority), Ports Authority, Research Authority, and Patriots Point Development Authority. Table 1.1 shows the amount of land in each of these four categories.

Table 1.1: State-Owned Land in Acres

| Owner | Acres |
|----------------------------|----------------|
| State Agencies | 346,297 |
| Higher Education | 36,426 |
| Rights-of-Way ¹ | 393,223 |
| Authorities | 213,889 |
| TOTAL | 989,835 |

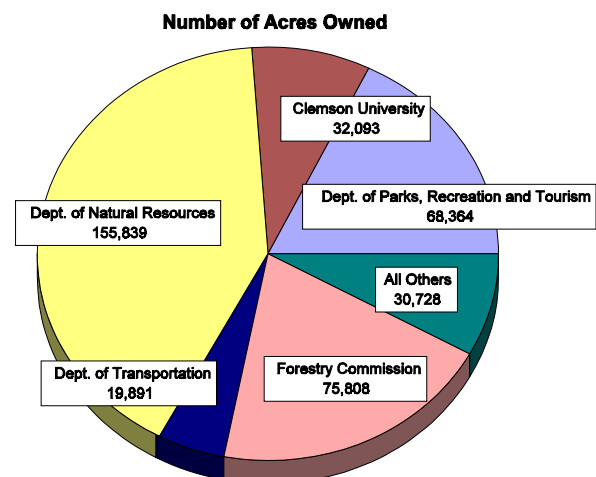
- 1 A right-of-way is land that stretches from the center line of a road to 25 to 300 feet on either side. SCDOT maintains this land for all highways and state roads. This figure was provided by the SCDOT.

Source: B&CB records and the Department of Natural Resources, Land, Water & Conservation Division records.

In this table, we include only property titled to state agencies. The figures do not include any property titled to a local or regional entity, such as a local disabilities and special needs board or an area technical college commission. Appendix B contains a list of all the state agencies with real property.

With the exception of the South Carolina Department of Transportation’s highway rights-of-way, the state agency owning the most land is the Department of Natural Resources (DNR) with 155,839 acres.

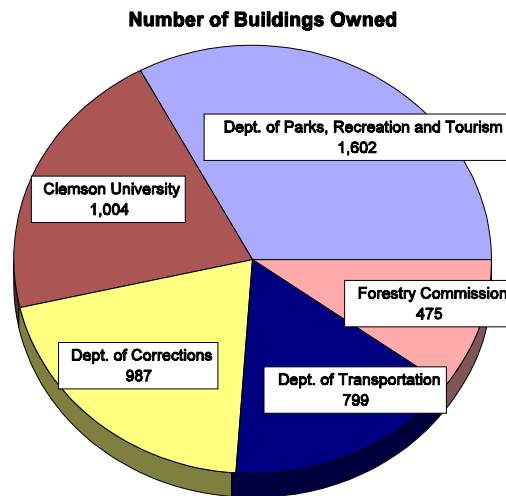
Graph 1.1: Top Five Land Owners



Source: Budget and Control Board Land Inventory.

According to B&CB records, the state owns 8,415 buildings with a total of 57,634,124 square feet. (These figures exclude buildings owned by the exempt agencies.) The B&CB Office of General Services (OGS) has 143 different use codes to categorize the various state-owned buildings. The three largest categories of state-owned buildings are material storage building (1,834), single family residence (719), and office building (637). The agencies owning the most buildings are shown in Graph 1.2.

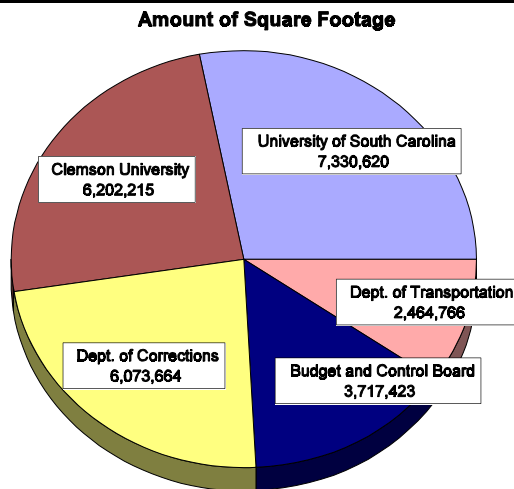
Graph 1.2: Five Agencies Owning the Most Buildings



Source: Insurance Reserve Fund Database.

In terms of size, dormitory buildings have the most square footage — a total of 5,915,455 square feet statewide, followed by office buildings with 5,731,608 square feet and college science buildings with 3,766,683 square feet. The state agency owning the most square footage in buildings is the University of South Carolina (USC) with 7,330,620 square feet.

Graph 1.3: Agencies with Most Square Footage in Buildings



Source: Insurance Reserve Fund Database.

Acquiring and Selling State-Owned Land

By law, all transactions involving real property must be approved by and recorded with the Budget and Control Board. Staff within the Office of General Services of the B&CB advise and assist state agencies when they seek to purchase land. Agencies are individually responsible for deciding when they will acquire or sell their real property, and OGS establishes the procedures agencies must follow when buying or selling land. If an agency decides that a piece of property is surplus, it can turn the property over to the Office of General Services for disposal.

Funding of Land Acquisitions

State agencies have several ways to fund property acquisitions. We reviewed Budget and Control Board minutes from FY 94-95 through FY 97-98 to determine the funding source for land purchases. During that time, over \$53 million was committed by the state for 111 land transactions; one-third of the acquisitions were donations to a state agency and cost little or nothing to acquire. Three projects cost over half the total (\$26.96 million). These were for DNR's purchase of the Jocassee Gorges, the College of Charleston's purchase of a building owned by its foundation, and the purchase of land by Trident Technical College. The state also has 12 capital leases that cost over \$3.4 million annually. Five of these are lease purchase transactions. Most of these properties are used to provide office space for the leasing agencies.

The three largest sources of funds used to buy land were:

- Bonds for \$28,460,501 (53%).
- Various higher education funds of \$10,764,595 (20%).
- Heritage Land Trust funds of \$7,354,215 (14%).

The state continues to acquire land. Between FY 94-95 and FY 97-98, state agencies and institutions of higher education acquired approximately 59,285 acres of land. (Over half was for Jocassee Gorges, an estimated 32,000 acres.) In 1986 and 1998, DNR's Division of Land, Water & Conservation did a survey of all land held by the state, including the exempt agencies and SCDOT rights-of-way. Estimates based on these two surveys show that the total amount of land owned and controlled by the state increased 21% during this period.

Leasing

In addition to owning land and buildings, the state also leases property. According to information provided by the B&CB, there were 838 leases between state agencies and private entities in FY 97-98. Most of the commercial leases were for office space. Total square footage of leased space has increased 16% and rent per square foot has increased 18% since FY 89-90.

In addition to leasing space from private entities, state agencies also lease space from the B&CB. In FY 97-98 state agencies leased 2.2 million square feet of space from the B&CB, with a total annual rent payment of \$24 million.

Land Inventory, Planning, and Acquisition

In this chapter we report on the current status of the inventory of state-owned land undertaken by the State Budget and Control Board. We were able to provide some assistance to B&CB staff in verifying the land holdings of the agencies we reviewed. We also reviewed other facets of the state's management of real property, including titling of property, land-use planning, and acquisition of property.

Overall Finding

A real property management system treats land and buildings as strategic assets to be managed proactively.

A real property management system treats land and buildings as strategic assets to be managed proactively. Asset management can increase the value of the state's resources, and results in more efficient use and occupancy of property by state agencies; increased emphasis on operational maintenance; and more effective and quicker response to requests to buy, use, sell, or value real property. (Pederson, Rick, "Establishing a Real Estate Management System." *American City & County*, April 1990; pp. 60-64.)

The first step toward a real property management system should be to establish where decision-making authority will reside — with the individual agencies or with a more central authority such as a statewide land-use committee or office. For example, Texas has a General Land Office with an asset management division. Virginia proposes to create a Land Management and Stewardship Council. Both of these entities have been or will be given centralized authority to evaluate the use of state-owned land. (This is described further on page 30.)

A second step involves determining what criteria should be used to evaluate the highest and best use of state government property. In other words, should real property be used only to support agency operations, or do investment value, market conditions, environmental considerations, and community interests play a role in determining when property should be bought, retained, or sold?

An asset management system should have staff with real estate expertise who are organizationally separate from users. Also, a real property management system needs a complete and accurate real estate inventory which is organized in a database and which should include physical data, use description, value, and other information.

We have concluded that the state lacks an overall system to manage real property as an asset from a statewide, best-use perspective.

The state of South Carolina has in place some elements of a system to manage real property. The B&CB has staff who help agencies manage real estate transactions and who evaluate permanent improvements for the insurance reserve fund. The B&CB serves as a central authority for approval of real estate acquisitions and sales. It also has been compiling a statewide inventory for the land owned by state agencies, although this process is not yet complete. However, we found that:

- ☐ The state does not have a comprehensive system in place to identify, evaluate, or dispose of surplus or unneeded land.
- ☐ There is no a statewide land plan that addresses long range real estate needs and uses.
- ☐ Deferred maintenance on state buildings, estimated to be more than \$350 million in 1994, is not addressed by the current process for purchasing property even as the state continues to acquire more land and buildings.
- ☐ Land is not titled in the name of the state but is considered the property of individual agencies. The precise size and value of the lands held by these agencies is not known.
- ☐ The state does not have a consistent policy on the use of proceeds from the disposal of land.

We have concluded that the state lacks an overall system to manage real property as an asset from a statewide, best-use perspective. Legislative action may be needed to establish a statewide system and to strengthen and centralize specific management functions.

Recommendation

-
1. The General Assembly should consider enacting legislation to establish a stronger and more proactive real property management system for the state. The following issues should be addressed by this legislation:
 - Where decision-making authority should reside.
 - What criteria should be used to evaluate the highest and best use of state government property.

- How a statewide real property management system should be funded and organized.
- What authority individual agencies would have within a centralized system.
- How to make the land acquisition and disposal process more effective and efficient.

Statewide Inventory

One objective of this review was to determine if there is an accurate inventory of real property owned by state government. Prior to the start of our review, staff at the Budget and Control Board's Office of General Services were compiling an inventory of state-owned land. Until work on their inventory is completed, there is no way of knowing the size and use of the state's real property assets.

History of the B&CB's Efforts

In 1987, the Budget and Control Board was appropriated funds to begin inventorying state lands. A decision was made to compile the inventory from the tax and deed records kept at each county courthouse. B&CB staff wanted an independent source of information about state agencies' real property, rather than relying on the agencies to supply this information.

However, because staff had other duties in addition to the inventory, and because of the difficulty in locating all the state agency deed records in each county, it took about 10 years to compile an initial inventory list. The inventory included all state agencies holding land in their names and excluded highway rights-of-way and the land owned by state authorities, as these properties do not come under the purview of the B&CB.

In March 1998, B&CB staff sent state agencies (including universities and technical colleges) a listing of all the land shown in the county tax records as titled to or used by that agency. The agencies were asked to verify the correctness of the initial inventory and to indicate any additions, deletions, or changes to their real property holdings. In addition, the B&CB requested other kinds of information about agency properties, including current use of the property and whether there were any buildings or permanent improvements. Agencies have been slow to submit verified inventory lists, and during our fieldwork this process was still on-going.

Problems Encountered in Compiling an Inventory

The process of compiling an inventory and ensuring its accuracy has been complicated by several factors:

There is no central repository for the deeds for state-owned lands.

Since state agencies individually retain copies of their deeds, no central state office maintains a complete historical record of state land ownership. Land deeds are recorded in the county of origin, which means B&CB staff had to go to 46 county courthouses to research all the titles. Complicating the search of county records is the fact that land has been titled to the State of South Carolina, to individual agency names, and to many variations thereof. Therefore, when conducting the title search in each county, B&CB staff had to look under all possible variations of state agency names.

Counties have not always kept an accurate record of land deeds.

Some counties maintain computerized tax records, and in those cases it was easier to research ownership. In some counties, however, staff had to search through boxes of old records in courthouse basements to find the land deeds. Some deeds are very old and may be unreadable or contain inaccurate information. When the inventory compiled from county tax records was compared with agency records, many errors were found, such as missing tracts, listings of land never held or no longer held by the agencies, duplicate entries, and inaccurate acreage.

Agencies themselves do not have an accurate account of what they own.

Only one of the agencies we reviewed (SCDOT) had an easily obtainable, accurate list of its land holdings. Several agencies had lost track of whole parcels of land and did not have internal records on these lands, although we could establish ownership. Fixed asset records were often out-of-date, did not reflect disposal or exchanges of land, or contained canceled projects. Including the B&CB, 42 state agencies and institutions were ultimately identified as owning land; as of January 1999, five agencies had not verified to the B&CB what properties they owned.

Duplication and Nonstandardization of Data

There has been duplication of effort in compiling a land inventory. The Division of Land, Water & Conservation within the Department of Natural Resources has conducted periodic surveys of public lands — in 1973, 1986, and 1998. The goal of this effort has been to match land ownership with areas of significant biological diversity and important natural resources. The 1998 DNR land survey asked agencies to provide much the same information the B&CB was asking for, such as the name, acreage, and county for each tract of land owned. The DNR land survey also asked agencies for the point location and boundary data for each tract, and encompassed federally-owned lands, highway rights-of-way, and authority lands that were not included in the B&CB inventory.

There has been duplication of effort in compiling a land inventory.

While DNR and the B&CB are developing their land inventories independently of each other, the amount of land reported for each state agency should be the same on each inventory. However, for most state agencies the two inventories show differing amounts of land. For example, according to the most recent draft of the DNR land inventory, Clemson University has 47,809 acres of land, while the B&CB inventory shows that Clemson owns 32,093 acres of land.

Other state real property databases are not compatible with the inventory compiled by the B&CB, and there is no standardized format that would allow these records to be matched with deeds or tax records. For example, most agencies must prepare a “fixed asset closing package” for their annual financial statements and the state’s Comprehensive Annual Financial Report. Any land or buildings owned are fixed assets and would be included. Theoretically, an agency’s fixed asset record should include the same lands that would show up in the agency’s land inventory. In several agencies, however, we found discrepancies between the fixed asset records and the land inventory.

Another database is maintained by the B&CB for the insurance reserve fund (IRF) in order to determine the amount of insurance coverage needed for state real property. This database records all buildings, structures, and improvements on land (i.e., fences, lighting, etc.) owned by state agencies and insured by the IRF. It includes property owned by schools and counties as well. However, the IRF database does not include land, and there is no identifier that would link a particular state building with the tract of land it sits upon.

Individual agencies can maintain the fixed asset account, land inventory, and buildings/permanent improvement information on the same system. We found several examples of this but did not attempt to verify whether all agencies had a joint system. The B&CB's Office of General Services is in the process of developing a new data system for facilities management of B&CB-controlled buildings. This system will also be integrated with the insurance reserve fund database and the appraisals unit. According to information technology staff at the B&CB, the new system should be able to support a land inventory database.

Statutory Requirements May Be Needed

South Carolina has no law that requires a central agency, such as the Budget and Control Board, to keep a statewide land inventory. In reviewing other states' land management practices, we found that those states with the most advanced inventory systems had developed those systems in response to legislative mandates. North Carolina, for example, requires its Department of Administration to:

... prepare and keep current a complete and accurate inventory of all land owned or leased by the State or by any State agency. This inventory shall show the location, acreage, description, source of title and current use of all land ... and the agency to which each tract is currently allocated. [§143-341 (4)(a) of the North Carolina Code of Laws]

In South Carolina, recent legislation (South Carolina Code §1-11-58) only required state agencies to submit an inventory of their *residential* and *surplus* property to the B&CB; they are not required to submit their entire real property inventory. The definition of surplus is left up to the agency. Also, we could find only one instance where an agency is required by state law to inventory its real property. South Carolina Code §57-5-340 requires the SCDOT to "continuously inventory all of its real property." Therefore, SCDOT maintains a detailed inventory of over 400,000 acres used for roads and highway facilities.

Land Inventory "Best Practices"

In our review, we examined other states' land inventories. In our opinion, there are several "best practices" that South Carolina should consider adopting, based on the examples we found in the following states.

The State Property Office in North Carolina was directed by statute to initiate a statewide, centralized inventory process in 1979. Today, its inventory is fully computerized with Internet access

North Carolina

The State Property Office in North Carolina was directed by statute to initiate a statewide, centralized inventory process in 1979. Today, its inventory is fully computerized with Internet access and links related information such as buildings, construction costs, and insurance value with each parcel of land. Visitors to its web site can obtain reports showing any state-owned tract or building by county, department, or other categories. The system also has an interactive GIS (geographic information system) capability which lets Internet clients click on a picture of the state map, zoom in a specific location, and obtain site maps and pictures of the buildings. Other Internet services include on-line property files, which will allow Internet clients to view scanned images of actual deeds; on-line building and facility query; and interactive forms and lease updates. The North Carolina site also has information on real property purchasing/leasing procedures. According to North Carolina staff, one particular use of their inventory is to assist state agencies in “swapping” land.

Florida

Florida statutes in 1995 directed the Florida Division of State Lands to initiate a computerized information systems program to modernize state land records. The goal of this project is to automate the storage and retrieval of information contained in state land records, and through this process document ownership and create a more accurate inventory of land. The program will also include environmental information and allow users to generate maps. Staff are in the process of indexing and scanning 72 kinds of documents to create a database of over 250 data elements. Florida intends to use this inventory to support land acquisition, land-use planning, and environmental protection functions.

Texas

The Texas General Land Office’s asset management division was created by legislation in 1985. Each state agency is required to maintain a record of its real property and submit this information to the division. These records must include a description of the property, acreage, date of purchase, the current uses of the property, and the *projected future uses* during the next 15 years. The Texas Department of Transportation and institutions of higher learning are exempt from this requirement. The asset management division reviews

and verifies the real property inventory for agencies at least every four years with the goal of identifying unused or underused lands (see p. 30). Also, the Texas real property inventory system uses identifying numbers to link land sites with buildings and capital improvements.

Benefits of a Statewide Real Property Inventory

A complete and accurate real property inventory is the essential element of a statewide management system. Without it, it is not possible to treat state land as a strategic asset that can be proactively managed. The Budget and Control Board is continuing the process of collecting and verifying additional information about state-owned land. As part of this process, the Board should include the information necessary to meet the following management goals:

- Better document title to state-owned lands (see p. 16).
- Better identify surplus or underutilized properties (see p. 25).
- Facilitate land exchanges between state agencies to help them find the properties they need without having to purchase more property (see p. 22).

After the statewide land inventory is computerized, the B&CB should look for ways to link it to other real property databases such as the IRF database. Eventually, GIS information gathered by the Division of Land, Water & Conservation could be incorporated into the B&CB inventory. In the future, the two agencies should coordinate any ongoing efforts to develop an inventory of public lands and make sure there is no conflicting information.

The B&CB also needs to determine how the inventory can be made accessible to those who need it, including the general public. SCDOT rights-of-way should be exempt from general requirements for an inventory, since these lands are traditionally treated differently, and SCDOT already maintains its own inventory.

Compiling and computerizing a comprehensive real property inventory will involve significant staff resources and cost. On-going maintenance also is a critical factor. Staff in the Office of General Services already provide information on land acquisitions, sales, and exchanges to the Budget and Control Board. During the course of our review, the Office of General Services initiated a process to update the inventory with each land transaction completed.

Recommendations

2. The General Assembly should consider amending §1-11-58 of the South Carolina Code of Laws to require that the Budget and Control Board maintain a complete inventory of all state-owned real property. In order to facilitate this effort, agencies should be required to annually report information in a format satisfactory to the Budget and Control Board. State properties held by the SCDOT, and the properties held by Santee Cooper and the other authorities, should be exempt from this requirement. SCDOT could provide data from its already established inventory.
3. The Budget and Control Board should computerize the state land inventory once the data are collected and verified, and should determine whether it can be linked with other real property databases, specifically the insurance reserve fund database. This inventory should contain, at minimum, the following components:
 - Site location and address.
 - Name of the tract/facility, if applicable.
 - Number of acres.
 - Deed dates, deed numbers, and other title information.
 - Method of acquisition (purchase, donation, etc.).
 - Name of the seller/grantor.
 - If available, acquisition price and the most recent appraised value.
 - Managing agency.
 - Any reverter clauses or deed restrictions.
 - Zoning, current use, type of facility, and potential uses.
4. The Budget and Control Board should coordinate on-going development of the state land inventory with the Division of Land, Water & Conservation's inventory of public lands.

Titling Property

We found that state-owned property was titled in more than 185 variations of agency names.

State agencies title property in their own names. This makes it difficult to track and monitor state-owned property and reduces accountability to the public.

The lack of a standardized format for recording titles created great difficulty in the compilation of a statewide inventory. We found that state-owned property was titled in more than 185 variations of agency names. Some of the agency names were no longer in use, such as “The Department of Mental Retardation,” “The South Carolina State Highway Department,” “The South Carolina Alcoholic Board,” and “Regents of the Lunatic Asylum.”

New purchases of land continue to be titled to individual agencies. In a sample of 23 land acquisitions by 17 agencies from FY 94-95 to FY 97-98, we found that only 4 agencies titled property to the state of South Carolina. In addition, agency responsibility can sometimes be difficult to determine. For example, park land under the jurisdiction of the Department of Parks, Recreation, and Tourism (PRT) is actually titled to the South Carolina Forestry Commission.

We contacted several states to see how they title state-owned land. Maryland, Georgia, Mississippi, North Carolina, Tennessee, and Virginia all require that real property, with some exceptions such as highway rights-of-way, be titled in the name of the state. Some of these states also list a controlling agency on the deed. According to property management staff in these states, this makes title searches, inventory administration, and record-keeping much easier.

An informal opinion we obtained from the South Carolina attorney general’s office concluded that the Budget and Control Board does not have the legal authority to require agencies to title land in the name of the state even though the Board approves all purchases. However, the General Assembly could pass legislation requiring agencies to title all land purchased henceforth in the name of the state. In addition, it could require all agencies to execute a quitclaim deed to put land in the name of the state. The state of Mississippi, for example, passed legislation in 1993 requiring state agencies to transfer to the state the titles for all property bought with appropriated funds.

The state of Mississippi, . . . passed legislation in 1993 requiring state agencies to transfer to the state the titles for all property bought with appropriated funds.

The informal opinion noted some exemptions that need to be considered and recommended that any legislation should be carefully crafted. The opinion cautioned that care would have to be taken not to usurp existing statutory authority that universities and authorities have to own property in their name. Also, South Carolina Code §57-5-310 gives the SCDOT authority to own property in its own name. In addition, the opinion stated that if any private individual or entity relies upon an agency to continue to maintain legal title to a particular piece of property, retroactive titling could be difficult. Also, deeds with reverter clauses may need to retain the name of the controlling agency with the name of the state added. (If the state agency ceases to use the land for the purpose for which it was donated, then the property reverts back to the original donor or his heirs.)

However, if state properties were titled in the name of the state, B&CB efforts to maintain a statewide inventory of land would be enhanced. It would be more efficient to compile and track the inventory, and it would be easier for the public to know what land is owned by the state. The B&CB could keep track of the managing agency by means of the inventory. If land is given by one agency to another, it could simply be reassigned on the inventory.

Recommendation

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5. The General Assembly should consider enacting legislation for the titling of state-owned property. The legislation could include the following components:
- That all state-owned property henceforth acquired be titled to the name of the state of South Carolina.
 - That agencies retroactively title property already owned in the name of the state.
 - That land owned by the authorities, universities and colleges, and the SCDOT be exempted.

Legislation for retroactive titling should take into account any deed restrictions which require an agency to maintain legal title to a particular piece of property.

Land-Use Planning

A master plan could address future land and building needs based on agency mission and such factors as client population growth and other trends.

We found that state government in South Carolina does not have an overall land plan to guide the acquisition and use of state property. Individual agencies determine when and where property is acquired with limited oversight by the state. A more coordinated approach to real property planning could help agencies make better use of the lands they own and better guide the expansion of state government.

Under state law, the Budget and Control Board is responsible for approving the acquisition and disposal of most state property. However, these approvals are for specific pieces of property and are not guided by an overall land-use plan. A master plan could address future land and building needs based on agency mission and such factors as client population growth and other trends.

We found several examples where agencies have made individual attempts to develop land use or master plans.

- ❑ In 1990 the Department of Mental Health (DMH), in conjunction with the B&CB, requested funds to prepare a plan for a health and medical complex on the State Hospital site in Columbia. This plan, however, was never completed.
- ❑ In October 1998, DMH created a land-use committee to develop a five-year capital development and land-use plan. This committee had its first meeting in January 1999.
- ❑ In 1998, the B&CB conducted a master planning study of four large sites in the Columbia area, including state-owned property in the Capital Complex, at the State Hospital in Columbia, on Broad River Road, and at the State Park Complex. The planning study focused chiefly on the Capital Complex area. The study sought to develop criteria for where agencies should be located and for what new facilities might be needed. The report noted that the Budget and Control Board offices were located in 16 different locations in both owned and leased space and recommended consolidation of the offices. The report also recognized the need to coordinate with the University of South Carolina (USC), the City of Columbia, and the River Alliance regarding land use.

- ❑ Institutions of higher learning can submit a Master Land Acquisition Plan for approval by the Commission on Higher Education (CHE). Any purchases within the plan boundaries do not have to be approved by the commission on an individual basis. USC is the only institution to have a master plan approved by CHE.
- ❑ In 1998, the Medical University of South Carolina (MUSC) engaged a consultant to assist the college in developing a land-use plan for its main campus. This plan should be completed in 1999.
- ❑ The Department of Natural Resources is developing a management plan for the 32,000-acre Jocassee Gorges site which coordinates with other state agencies such as the South Carolina Forestry Commission, universities, and other organizations and interest groups.

Two states, Washington and Minnesota, have developed land-use plans. The plans focus primarily on the states' capital area and address issues such as centralizing the responsibility for planning, coordinating where agencies should be located, and cooperating with local governments and the private sector.

The development of a comprehensive land-use plan could have several benefits, including:

- Greater co-location of facilities between state agencies and less duplication of infrastructure. For example, as discussed on page 20, several state agencies have radio tower and communication sites but there is no coordinated use of these facilities.
- More shared use of public land for recreational and educational purposes, as exemplified by the Jocassee Gorges resource management plan.
- Improved guidance of the expansion of state government.
- Easier identification of surplus property, in that a plan would identify the current use of and need for state-owned properties.
- A shortened approval process for acquisitions of land that are within a master plan.

Finally, an overall land-use plan could address issues of statewide significance, such as deferred maintenance and leasing versus owning.

Recommendations

6. The General Assembly should consider enacting legislation to require property-owning agencies to develop land-use plans that address future needs, acquisition and disposal of property, coordination with other state agencies, deferred maintenance, and the extent to which the state should lease versus own property.
 7. The Budget and Control Board, in consultation with the land-owning agencies, should develop guidelines for the plans and coordinate this effort.
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Communications Towers on State Land

The state has not developed a policy on the establishment of communications towers on state property. As a result, individual agencies are negotiating for the use of their property without addressing the needs of the state as a whole.

For example, the South Carolina Forestry Commission (SCFC) owns or controls 121 fire tower sites totaling over 894 acres. In 1998, SCFC entered into an agreement with a private company to lease 44 sites for at least 20 years as locations for wireless communications towers, with additional sites offered to the company as they become available. The company plans to use the sites for wireless communications towers which will provide space for cellular phone, paging, and other communications antennas. In addition to receiving a portion of the revenue generated by the towers, SCFC will also be allowed space on the towers for its antennas at no charge. However, the lease agreement stipulates that no other state agency can use the existing towers or towers constructed by the private company free of charge. Unused portions of the tower sites could be used by the state to construct its own towers provided these did not interfere with the operations of the private company.

According to a B&CB official, several agencies including Educational Television (ETV), the Department of Parks, Recreation and Tourism, and the B&CB have received requests from private companies concerning the use of state property for communications towers. The B&CB already has some agreements with local governments for use of state facilities for towers. DNR and SCDOT also have radio tower sites. If all state agencies are allowed to negotiate their own arrangements for use of their land for communications towers, it could result in agencies competing against each other. In addition,

it is questionable whether the use of state land to establish communications towers to serve the private sector is in keeping with the agencies' missions.

In April 1998 the B&CB proposed a committee be formed to study requests for use of state-owned land for communications towers. This committee has met twice since then and established workgroups to address a number of issues including standard agreements, rates, inventory of sites, and marketing strategies.

Recommendations

8. The General Assembly should determine whether leasing state real property for private communication towers is an appropriate use for state-owned land.
9. If the General Assembly decides this is an appropriate use, then it should enact legislation requiring the Budget and Control Board as soon as feasible to develop a system for the use of state property for communications towers to ensure that the state, as a whole, benefits from these sites.

The Land Acquisition Process

The Joint Bond Review Committee (JBRC) and the Budget and Control Board review and approve all land purchases by state agencies. Colleges, universities, and technical colleges are also required to get the consent of the Commission on Higher Education, and technical colleges must gain additional approval of the State Board for Technical and Comprehensive Education.

All purchases of land and buildings, as well as construction and renovation above \$100,000, have to be established as permanent improvement projects (PIP). A goal of the PIP program is to provide a process that ensures agencies are accountable to a central authority in their land acquisitions. Agencies file annual permanent improvement programs (APIP) with the Budget and Control Board's Office of General Services, which provides quality control and oversight for the process.

South Carolina Code §11-35-3240 requires the Budget and Control Board to publish policies for state agencies to execute permanent improvements. B&CB policies require that agencies take specific steps before land and/or buildings are obtained; agencies must:

- Establish the project using required forms.
- Obtain an appraisal of the property by a state-certified appraiser.
- Obtain an environmental study conducted by a consultant who has been approved by the Office of the State Engineer.
- Submit property acquisition information that describes the selection criteria used to evaluate potential sites, the number of sites evaluated and estimated additional operating costs which will result from the acquisition of the property.
- Submit the project for approval by the Joint Bond Review Committee and then the Budget and Control Board.

After the acquisition is approved, the agency handles the closing and obtains title to the property. The agency is supposed to send a copy of the deed to the B&CB's Office of General Services.

Weaknesses in the Current System

We reviewed a sample of 25 real property acquisitions and found that B&CB procedures are followed for the most part, and that agencies have at least minimal justification for the need to acquire new property. However, South Carolina Code §1-11-58, effective June 1997, requires that upon receipt of a request by an agency to acquire additional property, the Office of General Services review the "surplus property list" to determine if the agency's need can be met from existing state-owned property. Until there is a comprehensive statewide inventory and a means to identify surplus property, this cannot be carried out.

Also, the current process does not necessarily promote the most efficient use of state-owned land nor does it adequately consider the future impact new property might have. For example:

- ☐ The current system does not account for how new acquisitions affect an agency's budget or future maintenance costs. While agencies are required to report any additional operating costs expected to result from the acquisition, the expenditures actually incurred are not reviewed. There is also nothing to prevent agencies with a large deferred maintenance backlog from buying new property which could add to that

In other states, such as Florida and Mississippi, legislation requires that land deeds be filed with a central authority.

A More Centralized Approach

burden in the future. The APIP process currently does not require agencies to report on their deferred maintenance needs or provide a plan to address them. A 1994 report estimated the total deferred maintenance needs of South Carolina state agencies and colleges to be more than \$350 million.

- ☐ As stated on page 18, the state of South Carolina does not have an overall land-use plan to guide the acquisition of property. This makes it difficult to promote land acquisitions which could benefit multiple agencies.
- ☐ B&CB involvement largely ends with the approval for the land acquisition. The Board does not know whether land was actually purchased as approved until it receives a copy of the deed. While this is required by B&CB policy, agencies often neglect to do this, and there is no statutory requirement that the B&CB be the repository for deeds. South Carolina Code §1-11-57 requires, when the B&CB approves a land transaction, that a certificate of acceptance which acknowledges the Board's approval of the transaction also be recorded. Legally, counties cannot accept for recording any deed not accompanied by a certificate of acceptance. However, the statute does not require that the B&CB be sent a copy of the deed when it is recorded. In other states, such as Florida and Mississippi, legislation requires that land deeds be filed with a central authority.

In South Carolina, as well as the other states we reviewed, decisions on when to acquire real estate are left up to individual agencies. In North Carolina, a more extensive justification of need is required. North Carolina law requires that agencies file a statement of need and that the North Carolina Department of Administration (DOA) shall investigate all aspects of the requested acquisition, including the existence of actual need for the requested property by the agency; the availability of land already owned by the state; the availability of other lands; and the availability of funds.

Also, agencies in South Carolina are individually responsible for obtaining their own appraisers, environmental consultants and engineers, and real estate attorneys when they acquire land. OGS has professional appraisers on staff to review the appraisals obtained by agencies, and also maintains a list of certified environmental firms that must be used for environmental studies when land is acquired. In North Carolina, however, once an agency decides to acquire real estate, all subsequent handling of the transaction, from

obtaining the appraisal, negotiating a price, and closing the deal, is conducted by the state property office within the DOA.

North Carolina's more centralized approach to land acquisition could help make this process more efficient and provide additional assistance to agencies when they purchase land. In addition, it provides greater assurance that other alternatives are explored before any agency buys new land.

Recommendations

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10. The General Assembly should consider amending South Carolina Code §1-11-57 to require agencies to send to the Budget and Control Board a copy of a deed to real property at the time the deed is recorded by the county.
 11. The Budget and Control Board should amend its permanent improvement procedures to require the following:
 - Whenever possible, that agencies seek to acquire land by using surplus state-owned lands or by exchanging land with another agency.
 - That agencies provide information in their Annual Permanent Improvement Program on the extent of their deferred maintenance backlog and provide plans for how it should be addressed.
 - That agencies demonstrate the need to acquire new property.
 12. The Budget and Control Board should also determine the feasibility of having the Office of General Services take a more active role in managing real property acquisitions.

Management of Surplus Property

Another major objective of our audit is to examine the state's system for determining when property is surplus and whether it should be sold. In addition, we reviewed the property holdings of selected state agencies and developed a list of property with surplus potential.

Surplus Property

South Carolina does not have a comprehensive system to identify, evaluate, and dispose of unused or unneeded land. There is little or no external or internal review to determine if land could be declared surplus. Agencies presume they will hold onto land indefinitely and do not look for better alternatives. State procedures for disposal of unneeded land have been ineffective, and agencies have little incentive to dispose of their surplus real property.

Identification of Surplus Property

South Carolina Code §11-9-630 gives the Budget and Control Board the authority to “. . . sell and convey, for and on behalf of the State, all such real property, . . . belonging to the State as are not in actual public use” A 1983 attorney general's opinion states, “. . . the State Budget and Control Board has the power to determine whether real estate belonging to the State is not in actual public use and subject to sale by it.” The B&CB has not actively sought to identify and dispose of surplus property, but instead relies on individual state agencies to declare property surplus.

However, relying on individual agencies to identify surplus property has not been successful.

However, relying on individual agencies to identify surplus property has not been successful. In 1997, South Carolina Code §1-11-58(1) took effect requiring each state agency to annually “. . . perform an inventory and prepare a report of all residential and surplus real property owned by it.” [Emphasis added] This report was to be submitted to the Office of General Services by June 30, 1998. As of January 1999, only 5 of the 34 agencies responding to the survey reported any surplus property, consisting of 5 parcels totaling 120 acres.

Also, the state's institutions of higher learning, under Section 18A.15 of the FY 97-98 appropriations act, are required to “. . . review the real property titled in the name of its institution to determine if such property is excess to the institution's anticipated needs and is available for disposal.” There is no requirement for any state agency to monitor whether universities are

following this proviso. In FY 97-98, only one university sought approval for the sale of property.

During our review, we examined the property holdings of six state agencies, including one university. We also reviewed B&CB property files as well as property identified as surplus in previous Legislative Audit Council reports. We used several criteria to determine if the property should be considered surplus. Among these were:

- Whether the property was vacant or unimproved.
- Whether the agency was using the property.
- Whether the property was essential to the agency mission.
- Whether the property was being put to its highest and best use (i.e., the most profitable and likely use).
- Whether the property had previously been determined surplus by the agency.

We identified 53 parcels totaling over 3,200 acres which may be potentially surplus. Some of these parcels are in the process of being disposed of. Some examples of potential surplus property include:

- ☐ 2.24 acres, owned by DMH, that is currently used as a parking lot for city public works employees and has an appraised value of \$535,000. (DMH has begun the process of selling this property.)
- ☐ The 1,500-acre Wedge Plantation owned by the University of South Carolina in Georgetown which was appraised at \$1.9 million in 1990 and which is currently leased to a private individual for hunting (see p. 45).
- ☐ A 4.86-acre site in Laurens and a 5-acre site in Aiken, owned by the South Carolina Department of Transportation, which were bought in 1992 as future sites for the motor vehicle division but are still vacant. The combined purchase price for the two parcels was over \$153,000.
- ☐ 91 acres in Ladson owned by the Medical University of South Carolina which is vacant and in 1985 was appraised for \$557,000.
- ☐ A 4,416 square foot house owned by the Department of Corrections (DOC) and used as the commissioner's residence with an estimated value of \$292,700. In a preliminary response to our draft report, a DOC official stated that there are no plans to utilize the house as the current director's

We identified 53 parcels totaling over 3,200 acres which may be potentially surplus.

residence, and added that, given the agency's constant need for office space, the house could easily be converted for use as offices.

- ❑ 2.5 acres owned by the B&CB in Lexington County with an estimated value of \$50,000. This property was obtained in 1997 in a swap with Lexington County Recreation and Aging Commission to make land available for a new town hall and senior citizens center in the town of Pine Ridge.

Our complete list of potential surplus property can be found on page 34.

Disposal of Surplus Property

With the addition of South Carolina Code §1-11-58 in 1997, the Office of General Services (OGS) gained more flexibility in the means used to dispose of surplus real estate. Changes in the law allowed OGS to use sealed bid, private brokers, auction, and any other method determined to be suitable. Listing surplus property with brokers, for example, could result in easier and faster disposal. However, the Office of General Services did not update surplus property disposal procedures until October 1998. Also, these amendments primarily granted flexibility in the methods of disposal. They did not provide for the regular review of state-owned land nor the continual marketing of surplus property.

The disposal of property has been cumbersome. This was due to the lack of flexibility in the disposal process and problems with the property itself. Previously, the B&CB required that most property be offered through sealed bid. If the bidding was not successful, the property remained unsold for a long period of time. Also, unless there are extraordinary circumstances, the B&CB requires that property not be sold for less than its appraised value.

We reviewed property that had been considered surplus between FY 93-94 and April of 1998 and found several instances where the disposal of property had been handled inefficiently or ineffectively.

- ❑ In 1992, the Department of Disabilities and Special Needs (DDSN) declared a vacant community residence surplus. The property was appraised for \$54,000 and put out for bid, but no bids were received. In 1993, the property was rebid but the successful bidder was unable to obtain financing and forfeited earnest money in the amount of \$2,750. In 1995, the house was auctioned off to avoid the expense of demolition; however, the buyer was unable to move the house as originally intended.

In 1996, DDSN obtained an appraisal of \$18,000 on just the land. Both DDSN and the Office of General Services felt this appraisal was too high, and the property was subsequently sold for \$12,000, \$42,000 less than the 1992 appraisal.

- ❑ Since at least 1993, the Department of Natural Resources has wanted to dispose of 137 acres in Cherokee County, but did not take action because of the concerns expressed by adjoining landowners who wanted to buy the property. According to a DNR memo, staff believed that state bidding procedures would prevent any guarantee that the adjoining landowners could buy the entire 137 acres.
- ❑ In 1992, MUSC attempted to sell 55 acres of land with a disputed title to an adjoining landowner for \$37,500. However, the B&CB informed MUSC the property should be sold using standard surplus property procedures. As of January 1999, MUSC still has not disposed of this property.
- ❑ The B&CB owns 6.5 acres in Richland County that were part of approximately 80 acres declared surplus by the Department of Mental Health in 1985 and transferred to the B&CB. The B&CB sold approximately 71 acres of this land but still retains 6.5 acres. The remaining 6.5 acres had an appraised value in 1989 of over \$140,000.
- ❑ In March 1985, a landowner approached the B&CB in an attempt to buy a .82-acre parcel of land which was owned by DMH and adjoined his property. DMH declared the property surplus in September 1985. However, the property was not sold. The B&CB took no further action to dispose of the property, and it remained unsold until 1996 when the adjoining landowner again contacted the Board.

Other reasons can also make the disposal of property difficult. These include reverter clauses, contamination, cemeteries, donor restrictions, and title disputes. For example:

- ❑ The Department of Transportation owns a 5.78-acre site which has been vacant for ten years in a neighborhood in Columbia. The property was appraised as clean in 1996 for \$136,500, but the site is contaminated and has not been sold.

Other reasons can also make the disposal of property difficult. These include reverter clauses, contamination, cemeteries, donor restrictions, and title disputes.

- ❑ The Department of Mental Health owns 23 acres in Greenville County which it received from an estate. The will has a restriction that the land can be used for “. . . state hospital purposes only.” According to the attorney who prepared the will, DMH can only use this site for a DMH facility. It cannot be sold. This land has remained vacant since 1979. At least four requests have been made by various individuals to try and buy the property. However, each time DMH’s legal office has reviewed the property, it was determined that the property could not be sold.
- ❑ The B&CB owns 11.63 acres in Columbia which it has considered surplus since 1974, but the land contains an above-ground sewer line and an old cemetery, complicating disposal.
- ❑ The Department of Natural Resources owns 15.5 acres of land in Dorchester County that was used as a fish hatchery. The hatchery was closed in 1962, but was not declared surplus until 1997. DNR has had difficulty disposing of the property due to concerns about access. The property has also fallen into disrepair and contains several ponds. A 1996 memo from DNR’s legal office notes that “. . . the current state of the property raises concerns about liability for possible injury.”

The lack of a proactive surplus property management program means that agencies have had few alternatives other than to hold onto hard-to-sell properties. There has been no program to aggressively advertise or market these properties and to identify potential buyers.

“Best Practices” for Identifying Surplus Property

During our review we found that many states do not have a centralized system for identifying and disposing of surplus property, but instead allow individual agencies to determine when property is surplus. However, we found three states that do have a more centralized system. In addition, the federal government has developed programs to assist federal agencies in identifying surplus property.

Also, during the course of our review, the Office of General Services stated that current procedures could be strengthened by having a centrally based property expert meet with all land-holding agencies and conduct an in-depth review of state-owned property over a three-year period.

Systems used in other states are described on the next page.

In 1985, Texas created the Asset Management Division in its General Land Office (GLO) to evaluate the real property holdings of state agencies every four years and to make recommendations to the Legislature and Governor regarding their use and disposition.

Florida requires each state agency to submit a land-management plan every five years.

Texas

In 1985, Texas created the Asset Management Division in its General Land Office (GLO) to evaluate the real property holdings of state agencies every four years and to make recommendations to the Legislature and Governor regarding their use and disposition. According to a Texas official, the Legislature's goal in creating the process was to inventory and evaluate all real property owned by the state and determine if the property was unused or underutilized. On September 1 of each year, the GLO develops a list of state agency properties it has identified as unused or underused. State agencies are allowed 60 days to submit a development plan for the property. Once the GLO submits the final report to the Governor, he has 90 days to either approve or disapprove the sale of land. In 1997 the GLO listed 143 parcels of land totaling over 129,000 acres as being unused or underused.

Virginia

Virginia has examined the issue of real property management at least three times in the 1990s. In 1994 the Joint Legislative Appropriations Review Committee found that the state's process for disposing of surplus property was neither efficient nor effective. The report identified potential surplus property totaling 7,100 acres with an estimated value of \$36.5 million. In 1996, the Governor's Commission on the Conversion of State-Owned Property identified 57 parcels of land totaling almost 5,700 acres, with an estimated value of over \$50,000,000, which could be put to a higher and better use. In October 1996, the Governor's Commission on Surplus Property was created to provide advice on the use of real property assets controlled by state agencies. The commission published a report in June 1997 recommending the establishment of a proactive real estate management stewardship program. It recommended the establishment of a Land Management and Stewardship Council (LMSC) with independent power similar to the Armed Forces Base Realignment and Closure Commission. Among the LMSC's primary duties will be examining the use of state-owned land and developing criteria for determining if state-owned land is surplus.

Florida

Florida requires each state agency to submit a land-management plan every five years. In addition, Florida has a Land Management Advisory Council which is responsible for reviewing land and recommending whether that land should be disposed of by the state.

In 1997, Florida passed legislation establishing land-management review teams. These teams were created to determine if state-owned conservation, preservation, and recreation lands were being managed for the purposes for which they were acquired. The review teams examine whether the management plan addresses the protection of endangered species, the preservation of unique physical and archaeological features, and public access. If an agency is found not to be managing its land properly, it is reported to the State Board of Trustees of the Internal Improvement Trust Fund which holds title to state property.

Federal Government

Under federal regulations, federal agencies are required to review their land holdings annually, identify property which is surplus, and report it to the General Services Administration (GSA). In addition, the GSA reviews the real property holdings of federal agencies to identify properties which are not utilized, are underutilized, or are not being put to their optimum use.

The GSA also has several programs designed to assist federal agencies with real property management. For example, the Government-Owned Real Estate program has been established to coordinate the sale of federal property through the standardization of disposition policies, procedures, and documentation, and combined marketing and advertising. The Relocation Program assists agencies in relocating from antiquated facilities on valuable land to more modern facilities. Under this program, proceeds from the sale of the land can be used to fund the new site. In addition, GSA provides disposal services, such as marketing and sales, on an actual cost basis to federal agencies.

Use of Proceeds

State law governing the disposition of proceeds from the sale of land is not consistent. South Carolina Code §11-9-650 requires that funds from the sale of surplus property be deposited in the state's general fund. However, we found that none of the proceeds from the sale of surplus property between FY 93-94 and April 1998 have gone to the general fund. Instead, the proceeds were either retained by the individual agency or deposited into the Sinking Fund, which is managed by the B&CB.

. . . none of the proceeds from the sale of surplus property between FY 93-94 and April 1998 have gone to the general fund.

Sometimes agencies obtain provisos allowing them to retain proceeds. For example, Section 10.10 of the FY 98-99 appropriations act allows the Department of Mental Health to retain the proceeds from the sale of land. In August 1987, the University of South Carolina obtained an attorney general's opinion stating that it had the right to retain the proceeds from the sale of surplus land. In 1988, The Citadel received a similar opinion. However, according to an official with MUSC, they do not have the authority to retain proceeds from the sale of surplus land. In addition, Section 18A.15 of the FY 97-98 appropriations act allows institutions of higher learning to retain the proceeds from the sale of land bought with institutional funds, but proceeds from the sale of land bought with appropriated funds, capital improvement bonds, or formula funds are to be deposited in the general fund.

The B&CB has deposited proceeds from the sale of surplus property under its control into the Sinking Fund. South Carolina Code §11-9-620 states, "All moneys arising from the redemption of lands, leases and sales of property or otherwise coming to the State Budget and Control Board for the Sinking Fund . . . shall be kept on a separate account . . . to be drawn upon the warrants of the Board for the exclusive uses and purposes which have been . . . declared in relation to the Sinking Fund." As of September 1998, the fund had a balance of over \$1.6 million.

South Carolina Code §57-5-340 allows the SCDOT to retain funds from the sale of surplus property (in direct conflict with §11-9-650). However, proceeds from the sale of excess right-of-way property are to be distributed among the counties as "C" funds. ("C" funds are funds distributed by the local county transportation committee and are used primarily for the construction and maintenance of secondary roads.) In addition, according to the department, the acquisition of SCDOT properties is funded by gas tax revenues which are dedicated to SCDOT purposes by law (South Carolina Code §12-28-2720). Also, the federal share of any proceeds must be returned.

If agencies were uniformly allowed to retain the funds from the sale of land, they could use this money to improve or maintain other real property.

There is also inconsistency in the use of funds generated from the sale of timber on state land. For example, the Department of Corrections is allowed to retain the proceeds from the sale of timber. DMH, DDSN, and MUSC cannot. According to an MUSC official, it is estimated that MUSC has approximately \$125,000 worth of timber on the 91 acres it owns in Ladson.

Laws determining the use of sale proceeds should be consistent. If agencies were uniformly allowed to retain the funds from the sale of land, they could use this money to improve or maintain other real property. It is questionable whether nonrecurring funds generated by the sale of fixed assets should go into the state's general fund and be used for recurring expenses.

Conclusion

The state does not have a proactive system for the identification and disposal of surplus property. The B&CB does not actively seek out surplus property, and agencies themselves seem to have little incentive to do so. Since surplus or unneeded land is not identified, there is no assurance that state-owned properties are put to their highest and best use; nor can agencies effectively utilize the surplus property of other agencies.

Land that sits unused, and has no foreseeable future use, is a waste of state assets. It can create maintenance costs and liability risks for the state. When land is owned by the state, it is not available for local community growth or economic development. In light of the increasing value of land, when state-owned land is not needed to fulfill an agency's mission, it should be returned to private ownership and the local tax base.

Recommendations

13. The Budget and Control Board should establish a system for identifying and disposing of surplus property. The system should:
 - Ensure that state-owned property is evaluated on a regular basis to determine if it can be surplus.
 - Provide for the continual marketing of surplus property so that property can be disposed of as quickly and efficiently as possible.
14. The Budget and Control Board should review the surplus property identification and disposal procedures used by the federal government and other states.
15. The General Assembly should consider enacting legislation to standardize how the proceeds from the sale of surplus property are to be used. If agencies are allowed to keep the proceeds, the legislation should require that they be used to fund capital improvements and other nonrecurring needs, once any federal requirements for reimbursement are satisfied.

16. The General Assembly should consider enacting legislation to address how the proceeds from the sale of timber are to be used.

List of Potential Surplus Property

Table 3.1 lists 53 properties we identified that are potentially surplus to agency needs. In general, these parcels are either vacant, unused, or underused. Some of these parcels have been previously declared surplus but have yet to be sold. We caution that some of these properties have conditions or problems which might inhibit their sale. This is not a comprehensive list of all potentially surplus property in the state, but is instead property we identified during our limited review of state land holdings. While selling these properties may be the preferred method of disposal, other options exist that could result in higher and better use of the property. These alternatives may include:

- Donating the property to the city or county for public facilities.
- Leasing out the property until such time as it can be used or sold.
- Working with nonprofit, local redevelopment corporations to use the property for economic development.

Value of Surplus Property

There is no simple way to capture the dollar value of the state's property holdings in general or of its surplus property in particular. The value of the property is usually recorded at the price the agency paid at the time the property was acquired (i.e., historical cost). This may not reflect the true value of the land if the property was purchased a long time ago or was donated to the agency. Local tax assessors assign a value to taxable property, but since the state does not pay property taxes, state property is not always assessed.

The best method for determining the value of state-owned property would be to have the property appraised. Appraisals, however, only reflect value at a certain point in time. It would be expensive and impractical to routinely perform market appraisals on state-owned property simply to know its value.

Where possible, we used appraisals to report the value of the potential surplus property. These appraisals, in many cases, are several years old. We also obtained the most recent assessed value from county tax assessors' offices when an assessment was available. The total for the 40 parcels where value could be assigned exceeds \$13 million.

Chapter 3
Management of Surplus Property

Table 3.1: List of Surplus Property

| Title Held By | | Current Use | Acres | County | Value if Known |
|-----------------------|------|--|-----------------|------------|-----------------------|
| 1 | DMH | Unimproved land donated in 1979 with restriction that it be used for "...state hospital purposes only" | 23.00 | Greenville | \$57,500* |
| 2 | DMH | Unimproved land separated from Crafts-Farrow site by road | 9.00 | Richland | \$180,000* |
| 3 | DMH | Unimproved land separated from Crafts-Farrow site by road | 5.20 | Richland | \$208,000* |
| 4 | DMH | Unimproved land separated from Crafts-Farrow site by road | 2.54 | Richland | \$127,000* |
| 5 | DMH | Unimproved land obtained in swap with SCE&G. Used as church parking | 0.17 | Richland | Not Available |
| 6 | DMH | Unimproved portion of Killian Recreational Park | 185.00 | Richland | \$1,850,000* |
| 7 | DMH | 4 rental houses plus unimproved land donated in 1991. No plans to sell until tenants leave. | 68.30 | York | \$120,500 in 1991** |
| 8 | DMH | Part of State Hospital grounds used as parking by city public works employees. DMH plans to sell. | 2.24 | Richland | \$535,000 in 1998** |
| 9 | DMH | Residential housing for psychiatric students. DMH plans to sell. | 0.48 | Richland | \$126,000 in 1998** |
| 10 | DMH | Residential housing for psychiatric students. DMH plans to sell. | 0.57 | Richland | \$115,000 in 1998** |
| 11 | DMH | Residential housing for psychiatric students. DMH plans to sell. | 0.72 | Richland | \$114,000 in 1998** |
| 12 | DMH | Babcock building on state hospital grounds. | NA | Richland | Not Available |
| 13 | DMH | 4 duplexes used as housing for psychiatric students. DMH plans to sell. | 1.03 | Richland | \$400,000 in 1999** |
| Total DMH | | | 298.25 | | \$3,833,000 |
| 14 | USC | 2 unimproved residential lots donated to Gamecock Club | NA | Richland | \$9,800* |
| 15 | USC | Used for football parking 8 to 10 times a year | 6.09 | Richland | \$304,500* |
| 16 | USC | Unimproved land on Hallwood Road | 14.50 | Richland | \$26,100* |
| 17 | USC | Unimproved lot donated to Gamecock club | 0.65 | Richland | \$1,500* |
| 18 | USC | Unimproved land USC plans to sell | 56.96 | Richland | \$86,000 in 1999** |
| 19 | USC | Unimproved land donated with restriction that it must be used as botanical sanctuary | 5.33 | Lexington | Not Available |
| 20 | USC | Unimproved lot on Red Hill Road | 1.04 | Richland | \$4,500* |
| 21 | USC | Unimproved land east of Highway 321 | 104.34 | Richland | \$136,100* |
| 22 | USC | Wedge Plantation, formerly used for research and now leased to private party for hunting | 1,500.00 | Georgetown | \$1,900,000 in 1990** |
| 23 | USC | Unimproved land donated to Gamecock Club | 2.06 | Lexington | Not Available |
| Total USC | | | 1,690.97 | | \$2,468,500 |
| 24 | B&CB | Unimproved land. Restriction that development can't affect water quality to fish hatchery. | 25.54 | Lexington | Not Available |
| 25 | B&CB | Unimproved land with sewer line and old mental health patients cemetery; previous attempts to sell were not successful | 11.63 | Richland | \$174,500* |
| 26 | B&CB | Considered surplus by B&CB; previous attempts to sell were not successful | 6.88 | Richland | \$137,600* |
| 27 | B&CB | Unimproved portion of State Park Complex. May be used in future for relocation of state agencies | NA | Richland | Not Available |
| 28 | B&CB | Small unimproved lot on Drayton Street | NA | Richland | \$3,300* |
| 29 | B&CB | Unimproved land declared surplus in 1985 and separated from Killian Recreational Park by road | 6.50 | Richland | \$140,000 in 1989** |
| 30 | B&CB | Unimproved land obtained in swap with Lexington County Recreation and Aging Commission | 2.50 | Lexington | \$50,000 in 1997** |
| 31 | B&CB | Unimproved land with limited access | 94.80 | Lexington | Not Available |
| Total B&CB | | | 147.85 | | \$505,400 |

Chapter 3
Management of Surplus Property

| Title Held By | | Current Use | Acres | County | Value if Known |
|--------------------------|-------------|--|-----------------|-------------------------|-----------------------|
| 32 | SCDOT | Vacant maintenance shop; possibly contaminated. | 5.40 | Anderson | Not Available |
| 33 | SCDOT | Vacant section shed; possibly contaminated | 1.00 | Chester | Not Available |
| 34 | SCDOT | Maintenance shop which has been vacant for 10 years, possibly contaminated | 5.78 | Richland | \$136,500 in 1996** |
| 35 | SCDOT | Bought in 1992 as future site of MVD office; still vacant | 4.86 | Laurens | \$78,732 in 1992*** |
| 36 | SCDOT | Bought in 1992 as future site of MVD office; still vacant | 5.00 | Aiken | \$75,000 in 1992*** |
| 37 | SCDOT | Bought in 1990 as future site of DPS office; still vacant | 3.30 | Orangeburg | \$3,400* |
| 38 | SCDOT | Excess right-of-way that has been declared surplus by SCDOT | 2.01 | Richland | \$100,500* |
| 39 | SCDOT | Excess right-of-way that has been declared surplus by SCDOT | 34.89 | Dillon | Not Available |
| Total SCDOT | | | 62.24 | | \$394,132 |
| 40 | DNR | Former fish hatchery | 9.42 | Greenville | Not Available |
| 41 | DNR | Bought for flood control project but not needed for that purpose. Considered surplus by DNR. | 137.00 | Cherokee | Not Available |
| 42 | DNR | Closed fish hatchery that DNR plans to sell. | 15.52 | Dorchester | \$12,500 in 1997** |
| Total DNR | | | 161.94 | | \$12,500 |
| 43 | MUSC | Unimproved land donated in 1960s. MUSC tried to sell to adjoining landowner in 1992. Titled clouded. | 55.00 | Colleton | \$54,210 in 1983** |
| 44 | MUSC | Unimproved land in Ladson; contains timber valued at \$125,000. | 91.38 | Charleston & Dorchester | \$557,000 in 1985** |
| Total MUSC | | | 146.38 | | \$611,210 |
| 45 | Corrections | Commissioner's residence | NA | Richland | \$292,700* |
| 46 | Corrections | Unimproved land with old cemetery; limited access | 14.38 | Richland | \$53,800* |
| Total Corrections | | | 14.38 | | \$346,500 |
| 47 | SC State | Unimproved residential lot donated to SC State Athletic Department in 1987. | NA | Kershaw | \$3,500 in 1987** |
| 48 | Forestry | East and West Nursery tracts. | 497.31 | Oconee | \$394,000 in 1996*** |
| 49 | Winthrop | Unimproved land that is separated from recreational complex by road. | 17.00 | York | \$1,565,000 in 1998** |
| 50 | DJJ | Unimproved land declared surplus by DJJ. | 5.20 | Florence | Not Available |
| 51 | DDSN | Unimproved land separated from Whitten Center by highway | 191.00 | Laurens | \$287,000 in 1990** |
| 52 | ETV | Declared surplus by ETV | 2.13 | Richland | \$1,717,200* |
| 53 | PRT | Beach-front property declared surplus but which has a lien against it. | 3.56 | Georgetown | \$1,260,000 in 1998** |
| Total Misc. | | | 716.20 | | \$5,226,700 |
| GRAND TOTAL | | | 3,238.21 | | \$13,397,942 |

* Based on tax assessment from county offices.

** Based on most recent appraisal available.

*** Based on purchase price.

Individual Agency Land Management

In this chapter we report on the land holdings of the six individual state agencies we reviewed in detail. These agencies are: the Budget and Control Board, the Department of Mental Health, the South Carolina Forestry Commission, the University of South Carolina, the Department of Natural Resources, and the South Carolina Department of Transportation. We selected these agencies for review in order to include several of the largest land-owning agencies and to obtain a cross-section of the types of land owned by the state.

Budget and Control Board

The Budget and Control Board controls 68 separate parcels of land totaling almost 3,800 acres. The B&CB inventory includes the Governor's mansion, the Capital Complex, and the Statehouse. In addition, the B&CB owns buildings which it leases to other state agencies including the departments of Health and Environmental Control, Social Services, and Corrections. The B&CB also controls the 240-acre State Park Complex in Richland County.

The B&CB initiated four acquisitions and four disposals of property between FY 89-90 and FY 97-98. Funds from the proceeds of the sales were deposited into the state's Sinking Fund, which is managed by the B&CB. We reviewed the B&CB's real property inventory and found that the B&CB needs to make a determination regarding the use of the State Park Complex. The B&CB properties with surplus potential are listed on page 35.

State Park Complex

The B&CB controls the 240-acre parcel in Richland County known as the State Park Complex. The Board has controlled this site since at least 1972. Four agencies — DHEC, DMH, Corrections, and Archives and History — currently have offices in State Park. However, a large portion of this property remains vacant and unimproved.

This site is one of four areas discussed in the B&CB master land-use plan as having potential for greater development (see p. 18). According to B&CB staff, some of the land at State Park may be unsuitable for development. This property could be considered surplus.

Recommendation

Cemeteries on State-Owned Land

These cemeteries are on property that is considered surplus or could be surplus, and may hinder the disposal of this property.

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17. The Budget and Control Board should continue its planning process for the State Park Complex and determine if any portion of this property is surplus and could be sold.
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During our audit, we identified three cemeteries on state-owned land which are no longer used and not properly maintained. Since there is no centralized inventory of state-owned property, the existence of these cemeteries could be determined only through old maps and discussions with agency officials. These cemeteries are on property that is considered surplus or could be surplus, and may hinder the disposal of this property.

The state needs to catalog and maintain these sites. In reviewing other states, we found one instance where a cemetery was abandoned and subsequently turned into a public dump. The local government involved could end up paying millions of dollars to restore the cemetery.

Two of three cemeteries we found were for mental patients who died in the care of the Department of Mental Health, and the third was for prisoners who died while incarcerated by the Department of Corrections. The two DMH cemeteries are located on the original State Hospital property and have existed since at least 1924. One of the DMH cemeteries is on the same site as a cemetery for confederate war veterans. We visited this site in December 1998. The cemetery for confederate war veterans is well-marked and maintained. The graves lie within a brick-walled square with a gated entry. The graves for the DMH patients surround the veterans cemetery. While DMH does some landscaping, not all the individual patient grave sites are marked.

A 1924 site map shows the second DMH cemetery as the “State Hospitals Colored Cemetery.” This site is part of 11.63 acres that is surplus land and was transferred by DMH to the B&CB in 1974. We visited the 11.63-acre site in December 1998 in an attempt to locate the cemetery. The area is heavily overgrown and we were unable to find the cemetery or any individual graves. We did not locate any records other than the State Hospital map showing that this was a cemetery.

The Department of Corrections cemetery is located behind the Elmwood Park Cemetery in Columbia. Access to this property is through Elmwood Cemetery and down a dirt road along a power line right-of-way. This cemetery is on property the B&CB considers surplus, and DOC no longer uses the site as a cemetery. We visited this site in December 1998. The cemetery has a fence surrounding it and we saw a number of individual headstones, but the cemetery is not being maintained and has become overgrown. During the course of our review, DOC officials stated they would erect a sign at the entrance and maintain the cemetery grounds.

Government cemeteries are exempt from most requirements relating to cemeteries. However, state agencies are not exempt from South Carolina Code §39-55-235 which requires that cemeteries display a sign marking their entrance. Only the DMH/confederate veterans cemetery had a sign marking its location.

Recommendations

18. State agencies that have cemeteries on their property should properly mark and maintain these sites.
19. The Budget and Control Board should develop a policy addressing the disposal of surplus property which has cemeteries on site. This policy should address whether the new owner will be responsible for maintaining the cemetery or whether the graves can be moved to another site.

Department of Mental Health

The Department of Mental Health owns 44 separate parcels of land totaling approximately 2,241 acres. Most of the parcels are small (less than 10 acres) and are used for community mental health centers and satellite offices. In addition, DMH owns several large tracts of land.

DMH acquired 32 parcels of land between FY 89-90 and FY 97-98, mostly for community mental health facilities or satellite offices. DMH disposed of seven parcels during this time period. Section 10.10 of the FY 98-99 appropriations act allows DMH to retain proceeds from the sale of its land and expend these funds on capital improvements approved by the Budget and Control Board and Joint Bond Review Committee.

We reviewed DMH's real property management system and inventory, and found that the agency owns potentially valuable tracts of surplus land. The DMH properties with surplus potential are listed on page 35.

Large Tracts of Land

DMH needs to evaluate its large land holdings for potential surplus property. DMH owns three large tracts of land — the 245-acre Killian Recreation Park, the 315-acre State Hospital campus located in downtown Columbia, and the 1,288-acre Crafts-Farrow site. Combined, these three sites comprise 82% of DMH's total land holdings and may contain significant surplus property.

For example, according to DMH officials, only 60 acres of Killian Recreation Park are actually used. This facility is used approximately 80 days a year and serves approximately 1,700 DMH patients a year. This property is in the middle of a high growth area and could be valuable. In 1994, approximately 70 acres of this site were sold for residential development for \$376,000. The 1999 Richland County tax reassessment put the value of the entire Killian site at approximately \$10,000 an acre.

The State Hospital site also contains potentially significant surplus property. For example, a 2.24-acre triangular piece of property on this site is currently being used as a parking lot for city public works employees. DMH receives no parking revenues from this site, and a recent appraisal estimated its value at \$535,000. The State Hospital site also contains three residences that DMH has used for psychiatric students. These three residences comprise approximately 1.8 acres and were recently appraised for a total of \$355,000. In addition, DMH owns four duplexes on this site. These sites are also targeted for sale and were recently appraised at about \$400,000. The 200,000-square-foot Babcock building is also on the State Hospital site and could be considered potential surplus property. However, the Babcock Building is on the National Historic Register. A recent study commissioned by DMH and the South Carolina Department of Archives and History recommends the building be used for office or institutional use and estimates the cost to renovate the property at \$18 million.

The State Hospital site contains potentially significant surplus property.

At the Crafts-Farrow site, there are three parcels of land totaling over 16 acres that have been separated from the main complex by the construction of I-26 and Farrow Road. As a result, these parcels could be considered surplus.

DMH also owns 68.3 acres of land in York County which it obtained from an estate. This land was given to DMH free of all restrictions, but the property includes four rental houses. According to a DMH official, DMH did not want to evict the tenants; therefore DMH has decided that it will not dispose of the property until the houses are vacant. DMH receives approximately \$900 a month in rent from these properties. In 1991, the property had an estimated value of \$159,000. This figure included a house and 1.59 acres that was sold in 1994 for \$38,500.

At present, DMH does not have a master land-use plan. A land-use committee was appointed in October 1998 and had its first meeting in January 1999. The goal of this committee is “. . . to develop a comprehensive five year capital development and land-use plan which takes in the entire needs of the department from community mental health centers to inpatient facilities.” The committee plans to complete its work within one year. According to a DMH official, one objective of the committee will be to examine the feasibility of moving the state hospital facilities to another site and selling the property to help pay for new facilities.

There have been other attempts to develop a land-use plan for this property. In 1988, the B&CB proposed a plan for a health and medical services complex in an attempt to make the best use of this property. A 1998 land-use plan developed by the B&CB identifies the property on Bull Street in Columbia (including the State Hospital site) as one of four sites in the Columbia area that need to be evaluated (see p. 18).

Recommendations

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20. DMH should evaluate its large tracts of land for potential surplus property. Any unwanted or unneeded land should be declared surplus and turned over to the B&CB for disposal.
 21. DMH should continue its efforts to develop a land-use plan for its property.

South Carolina Forestry Commission

With 75,808 acres of land, the South Carolina Forestry Commission is the 2nd largest land-holding agency. The bulk of forestry land is in the state forests — Sand Hills, Manchester and Harbison. Other acreage is used for tree nurseries, area offices, seedling distribution points, and fire tower sites.

Until recently, the South Carolina Forestry Commission had not bought or sold much land. This changed in FY 94-95 when the commission began acquiring new land to replace land from Manchester State Forest that had been traded to the U.S. Air Force. Also, SCFC is in the process of converting some of its former fire tower sites to other uses.

Establishing an accurate inventory for land owned by SCFC was complicated. The chief reason was that many state parks, which are under the jurisdiction of the Department of Parks, Recreation and Tourism, were originally titled to the South Carolina Forestry Commission. Also, county deed records showed SCFC as owning land that had in fact been disposed of many years ago. Finally, due to the complicated nature of the original deed plus the recent land transactions, SCFC staff had to conduct extensive research to ensure that acreage for Manchester State Forest was properly recorded. In reviewing SCFC's land holdings, we questioned whether it needs to keep buying additional land.

Use of the Myrtle Beach Proceeds

For at least 30 years, the U.S. Air Force had leased approximately 8,000 acres of land from SCFC for a weapons range. This parcel, known as the Poinsett Weapons Range, was originally part of Manchester State Forest in Sumter County. In the early 1990s, in order to forestall the possible closure of Shaw Air Force Base, federal and state officials decided that it would be more advantageous for the Air Force to own the weapons range rather than lease it. A land trade was negotiated whereby the SCFC traded land in and around Manchester State Forest to the Air Force for land at the closed Myrtle Beach Air Force Base (MBAFB). In addition to the Poinsett bombing range, the South Carolina Forestry Commission included an additional 3,700 acres from Manchester State Forest and acquired approximately 812 acres of privately held land to swap a total of 12,521 acres for the Myrtle Beach Air Force properties.

As of January 1999, about 900 acres of the MBAFB property were under a contract of sale for \$20 million . . . these funds would be better used if applied to the deferred maintenance backlog of several agencies rather than used for the benefit of one agency.

The swap was completed in 1994. The South Carolina Forestry Commission then received permission from the Budget and Control Board to use the proceeds to purchase replacement land up to the 12,521 acres traded. As of September 1998, \$9.66 million of the proceeds from MBAFB properties had been used to acquire 9,185 acres of land by the commission.

Since approximately 812 acres of the land exchange were bought solely to trade with the Air Force and were not part of the original state forest, we believe there is no justification for SCFC to replace this acreage. Therefore, the commission should acquire only up to approximately 11,700 acres for replacement land.

As of January 1999, about 900 acres of the MBAFB property were under a contract of sale for \$20 million. After this, approximately 400 acres of the MBAFB lands will remain from the amount exchanged. (The remaining 400 acres have some environmental problems but cleanup is underway.) The potential value of the MBAFB property has far exceeded original expectations and is greater than the value of the Manchester State Forest land that was exchanged. After SCFC replaces the land traded and administrative costs are deducted, any remaining funds should go to the State's general fund. With the amount of deferred maintenance needed for state buildings (see p. 22), these funds would be better used if applied to the deferred maintenance backlog of several agencies rather than used for the benefit of one agency.

Oconee Properties

In 1996, the commission also used \$394,000 of the Myrtle Beach proceeds to purchase two parcels of land in Oconee County. These parcels adjoined existing SCFC property that had once been a tree nursery. The acreage for these parcels is shown below.

**Table 4.1: Forestry Land
in Oconee County**

| | |
|-------------------------|---------------------|
| Former Piedmont Nursery | 205.7 acres |
| West Nursery Site | 204.25 acres |
| East Nursery Site | 293.06 acres |
| TOTAL | 703.01 acres |

According to agency officials, neither the existing Piedmont nursery site nor the two new tracts are being used for seedling operations, which have been consolidated in another part of the state. No full-time forestry staff are on-site, although the former Piedmont nursery tract has some buildings on it. The land is wooded, and the commission conducts forest management and tree progeny studies on the sites. There is also a female juvenile justice detention camp on the West Nursery tract.

One reason for acquiring the two new tracts was to replace some of the land from Manchester State Forest that was swapped to the Air Force. However, the Oconee land is about 174 miles from Manchester State Forest in Sumter County. A second reason, according to forestry officials, was to expand the former tree nursery into an education and training center. The stated criteria for the purchase of the two Oconee tracts were that they were available, and were adjoining existing SCFC property. SCFC officials also stated that these properties are especially suited for a forestry and environmental education program, but could not provide written plans for how they would be used.

We question why the South Carolina Forestry Commission needed to acquire an additional 500 acres of land to build another forestry education center. (The main forestry education center is at Harbison State Forest in Richland County.) It is not clear why SCFC needed an expanded forestry education program in this area and whether it considered alternatives to acquiring more land. The state now owns 32,000 acres in Jocassee Gorges in Pickens and Oconee Counties, portions of which are within 10 minutes of the forestry land. Clemson University owns more than 5,000 acres in Oconee County. There also is a state park (1,167 acres) in Oconee County, as well as the federally-owned Sumter National Forest.

Since SCFC does not envision developing the new Oconee sites, it should investigate whether all the acreage is needed for forestry education. There could be more productive and better uses for this land. According to the tax assessor's office in Oconee County, local property values are rapidly increasing. Sale of the Oconee properties could generate significant revenues for SCFC. Also, South Carolina Code §48-23-260 requires that counties receive 25% of the gross proceeds from the sale of timber and other products produced on state forest lands. However, according to SCFC records, no such revenues have been generated from the forestry property in Oconee. Sale to a nongovernmental purchaser could also restore this land to the local tax rolls.

Recommendations

22. The General Assembly should determine the use of any future proceeds from the former Myrtle Beach Air Force Base property, and should consider earmarking these funds for deferred maintenance on state buildings.
23. The South Carolina Forestry Commission should explore alternatives to acquiring new land for the expansion of its education program. Such alternatives could include shared use of land already owned by other governmental agencies. SCFC should also determine whether the entire East and West Nursery sites are needed for forestry education.

University of South Carolina

The University of South Carolina (Columbia) owns approximately 1,962 acres. Most of its holdings are within the downtown Columbia campus. While the university is not a large land owner in terms of acreage, it is one of the top five agencies in square footage of building space owned.

The university has not conducted many land transactions — only 8 acquisitions and 2 sales were approved by the B&CB from FY 89-90 through FY 97-98. USC does have a master land plan, and any purchases of property within the boundaries shown on the plan are automatically approved by the Commission on Higher Education. The university also is allowed by statute (South Carolina Code §59-117-80) to sell any land donated during fund campaigns and keep the proceeds, applying them to the original purpose of the donation.

We reviewed USC's real property inventory and several land transactions, and found that USC needs to dispose of some unused properties and improve its inventory records. (The USC properties with surplus potential are listed on page 35.)

The Wedge Plantation

In FY 80-81 the Carolina Research and Development Foundation paid \$1.2 million for land in Georgetown County known as the Wedge Plantation. The property consists of a historic plantation home, several outbuildings, a swimming pool, tennis courts, and approximately 1,500 acres of land, some

It is questionable whether leasing the Wedge Plantation for a private hunting reserve is in keeping with USC's educational mission.

of it marshland and former rice fields. The foundation leased this property to USC for more than \$100,000 annually. The university used the property largely for research into insect-borne diseases.

In 1990, after leasing the property for nine years, the university bought it from the foundation, paying the original purchase price of \$1.2 million; the property was appraised at \$1.9 million at that time. The university continued to use the property for research until November 1995, when it began phasing out the research program and reassigning or terminating the staff who worked there. One reason for closing the program, according to USC officials, was that the upkeep of the Wedge had become too expensive. According to USC academic officials, only three graduate students are still conducting research at the Wedge, and when they are finished there are no plans to continue the insect-borne disease research there.

In February 1997 USC entered into a 10-year agreement to lease the Wedge to a private individual with the stipulation that USC would continue to have limited access to the plantation for research and educational purposes. In return, the lessee would use the property for hunting and fishing, and in lieu of rental payments would spend up to \$600,000 to maintain the property over the lifetime of the lease.

While this lease does relieve the university of the burden of the upkeep of the Wedge, it does not constitute the highest and best use of this property. It is questionable whether leasing the Wedge Plantation for a private hunting reserve is in keeping with USC's educational mission.

If the Wedge Plantation is no longer used by the university for research, then it is a valuable asset that could be sold for a substantial sum. However, given the uniqueness of this property, the best use of it may be to be retained by the state but managed by another agency, such as the Department of Natural Resources and/or Parks, Recreation and Tourism. In this way the Wedge Plantation could remain a valuable historic and environmental asset for the state and the taxpayers.

Donations of Unimproved Land

The university has received several donations of unimproved land from its supporters, largely through the Gamecock Club. Most of this land is outside the core campus, and the university currently has no plans for its use. The best and highest use of these properties would be to sell them and apply the proceeds to deferred maintenance and other needs.

With one exception, the titles of these properties do not contain any restrictive language limiting their use or sale. The exception is a five-acre site in Lexington County that was designated by the donor as a botanical sanctuary. The deed prohibits the university from building any improvements, including roads or greenhouses, on the property. It also specifies that if the university ever ceases to use the property for such purposes then it reverts to the grantor.

We could find no evidence that any USC staff use this property to study botany. This property is heavily overgrown and may constitute a liability to the university in the event anyone was injured on the premises. If the university can free the title of restrictions, a better use for this land would be to sell it outright, since it is in the middle of a residential area; if not, then it should be allowed to revert to the original owners.

Better Inventory System Needed

USC does not have a system to keep track of the land it owns. Titles to land are kept on file by the legal department; buildings are tracked by the facilities planning office; and the finance office keeps a fixed asset list. However, no one has kept an inventory of the land that can be traced to deeds and financial records. Staff were sometimes unaware of the existence of tracts of land owned by USC outside of the core campus. In addition, six properties owned by USC were not recorded on the fixed asset list. This made it difficult to ensure that the inventory included all USC properties.

Verifying USC's inventory required several steps, including reviewing county tax records and maps; interviewing academic and administrative staff; and searching deed files maintained by the legal department. In spite of these efforts we cannot be certain that the inventory for USC's land holdings is accurate.

Recommendations

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24. The University of South Carolina, in conjunction with the Department of Natural Resources and the Department of Parks, Recreation and Tourism, should determine the best use for the Wedge Plantation to preserve it as part of the state's cultural and natural heritage.
 25. The University of South Carolina should declare surplus the unimproved land that has been donated to benefit the university, and turn these properties over to the Budget and Control Board for sale. USC should

seek clear title to any parcels which have restrictive clauses or allow these properties to revert back to the original owners.

26. The University of South Carolina should compile and maintain a complete and accurate inventory of its real property.

Department of Natural Resources

Agreements with other agencies to establish joint use of DNR-owned lands and facilities could promote a more efficient use of these assets, and should be encouraged.

The Department of Natural Resources owns the most land of any agency excluding the authorities and highway rights-of-way, and acquires through purchase or donation on average 10 parcels of land a year. Except for small amounts used for boat ramps and field offices, the bulk of DNR lands are protected wildlife and natural resource areas. The Department of Natural Resources currently holds title to 155,839 acres of land, including 23,000 acres from the recent purchase of Jocassee Gorges. (Once the Jocassee purchase is completed in 1999, DNR's inventory will include about 8,000 more acres.)

About 74,500 acres of DNR land are protected through the Heritage Trust program. The Heritage Trust program was created by the General Assembly in 1976 to help preserve in perpetuity South Carolina lands with cultural or natural significance. Heritage Trust lands are purchased according to specific criteria — environmental significance is determined by the number of rare or endangered species, and cultural significance is based on a list of the 100 most culturally significant properties in the state. DNR developed these priorities from a list of 13,000 potential sites.

DNR also maintains property called wildlife management areas, which are used for the protection, propagation, and promotion of fish and game and for public hunting and fishing. Many associations such as Ducks Unlimited, Nature Conservancy, and the National Wild Turkey Federation donate land to DNR as part of their mission to preserve and conserve natural resources.

Several sources of funding are used to purchase DNR lands, including Heritage Trust funds, federal programs, taxes and fees paid by sportsmen, and state appropriations. A large number of properties are donated to DNR as well. The Heritage Trust funds and federal funds carry several restrictions and requirements. For example, the property cannot be sold or disposed of without either returning the proceeds to the funding source or purchasing land of equal value and importance. Likewise, deeds for donated lands often restrict the use of the property to preservation, conservation, hunting or

fishing. Federal funding requires that public access be allowed on properties where hunting occurs.

We reviewed DNR's inventory and land-management program. DNR has management plans for major land holdings, and uses them to catalog animal and plant populations, plan for public use, and determine how the property needs to be maintained. In the case of the Jocassee Gorges property, PRT and the South Carolina Forestry Commission were involved in the management plan as well. DNR also enters into collaborative agreements with agencies such as Clemson University for wildlife and fisheries research. Agreements with other agencies to establish joint use of DNR-owned lands and facilities could promote a more efficient use of these assets, and should be encouraged.

Potential Surplus Property

While DNR has extensive land holdings, there is little that could be defined as surplus. Major goals of the agency are to preserve and conserve the state's environmental resources. In order to meet the goals of preservation and conservation, DNR is required to hold onto these properties indefinitely. During our brief review we identified only three parcels of land owned by DNR which have the potential to be surplus. One such property is the former Berry's Mill fish hatchery in Greenville County. The Berry's Mill property is no longer actively used as a fish hatchery and is now surrounded by a residential neighborhood. DNR holds unrestricted title to 9.4 acres of 16 acres at Berry's Mill, while the deeds for the remaining 6.6 acres have reverter clauses.

Another property, the 137-acre Lake Thicketty site in Cherokee County, was originally used as a flood control project but was considered not suitable for this function. In the early 1990s DNR reviewed the feasibility of disposing of the property, possibly by sale or by donation to the county, but did not take any action because of the concerns of local landowners. A DNR memo indicated that the agency believed that state bidding procedures would prevent any guarantee that adjacent landowners would be able to purchase the land. In addition, about 26 acres of the site have a deed restriction that gives the previous owners the right to repurchase the land if DNR was not going to use it. However, DNR holds unrestricted title to the remaining 111 acres.

In addition, DNR has been trying to sell a third piece of property, a 15.5-acre former fish hatchery in Dorchester County. This sale also is being held up by the concerns of an adjacent landowner.

Recommendations

27. The Department of Natural Resources should continue to collaborate with other state agencies to encourage multiple uses of DNR-owned lands.
 28. The Department of Natural Resources should review the options for the Berry's Mill and Lake Thicketty properties, and develop a plan for their use or dispose of them as surplus property.
-

South Carolina Department of Transportation

SCDOT's statutes require it to "continuously inventory all of its real property" and also to "vigorously attempt" to sell any property no longer needed for the highway system.

The South Carolina Department of Transportation owns 1,106 acres for maintenance facilities; 18,785 acres for wetlands mitigation; and 393,223 acres for roads and highway rights-of-way (ROW). Historically, the management of land for rights-of-way comes under the responsibility of the SCDOT and is not subject to oversight by the B&CB or other administrative agency. For example, in other states we reviewed, ROW lands are not listed on statewide property inventories.

SCDOT's statutes require it to "continuously inventory all of its real property" and also to "vigorously attempt" to sell any property no longer needed for the highway system. Therefore, SCDOT has staff who handle all aspects of land management, including inventory, acquisitions, and disposals of unneeded land. In addition, SCDOT initiated in 1998 an asset management program intended to evaluate and maximize the use of all its assets, including land.

SCDOT's law also specifies that any funds derived from the sale of surplus property be credited to the original funding category used to finance the acquisition of the land. Also, excess funds derived from the sale of ROW land are to be distributed among the counties as "C" funds. In FY 96-97, SCDOT sold surplus land for a total of \$985,343. After administrative costs and the federal portion were deducted, \$277,752 was distributed back to the counties.

We reviewed SCDOT's real property management system and inventory, and determined that it does have some unused properties with surplus potential, although there may be some barriers to their sale. (These are listed on page 36).

Contaminated Maintenance Facilities

SCDOT has at least three surplus maintenance facilities which have ground contamination. SCDOT is monitoring these properties but has no plans to actively clean them up or to dispose of them. SCDOT staff told us that the cost of cleanup might be more than they could realize from selling the land.

However, one site, the old Richland County maintenance facility, consists of three parcels in the middle of a residential neighborhood in Columbia. A 1996 appraisal found the total value of the property to be about \$136,000, not taking into account possible contamination. Also, some potential buyers have expressed interest in the property to SCDOT. Regardless of the cost for cleanup, state agencies have an obligation to maintain proper stewardship over their real property. The Richland County maintenance site, for example, has been vacant for 10 years. Vacant property can negatively affect surrounding property values. If sale of the property is not possible at this time, SCDOT should at least determine the costs of cleanup and investigate the possibility of leasing the former maintenance sites. Any lease revenues could help defray the costs of cleanup.

Vacant DPS Sites

SCDOT also owns several parcels that are vacant because they were intended to be new office sites for highway patrol and the division of motor vehicles (DMV). The properties were bought in 1990 and 1992. In 1993, under restructuring, highway patrol and DMV became functions of the new Department of Public Safety. The titles for these properties have not yet been transferred to DPS, and the current status of these lands is unclear. SCDOT together with DPS needs to determine whether this land is actually needed and if funds are available to build new facilities; if not, then the land should be offered for sale.

Public Requests to Buy ROW Land

In addition, the department maintains a database of excess rights-of-way (ROW) parcels — remnants of land left over when a road project was completed. Currently this database lists about 470 pieces of land. Some are very small but some are more substantial. For example, one 35-acre piece in Dillon County, near I-95, has been on the remnants list since 1968. We reviewed file documentation for a small sample of the ROW remnants, and identified two pieces that might have potential for disposal.

Currently, about 60 requests to buy ROW land are pending.

A 1997 KPMG management report of SCDOT found that the department "... has not recently evaluated its fixed assets in terms of closing unnecessary facilities and potentially generating revenues by selling/leasing applicable facilities." According to SCDOT property management staff, they must spend so much time responding to public requests they have little time to actively evaluate and market the other vacant properties. SCDOT frequently receives requests from landowners who want to purchase adjoining lands within a transportation right-of-way. Currently, about 60 requests to buy ROW land are pending. In order to determine whether the ROW land is actually surplus to its needs, each request must be reviewed by several SCDOT divisions, including engineering and planning, and sometimes by the Federal Highway Administration. Top SCDOT management also sign off on any sales. This process is cumbersome, and is followed even when the parcel in question is only a fraction of an acre.

SCDOT has indicated that it will use the new asset management program to review and possibly streamline its process to dispose of excess ROW land. As part of asset management, SCDOT should also evaluate the remnants and vacant maintenance sites and determine their potential to generate revenue for the department. Contaminated land and the remnants of highway projects may be difficult to sell, but SCDOT should make the effort to better utilize these assets.

Recommendations

-
29. The South Carolina Department of Transportation should investigate the costs of cleaning up the former maintenance sites and proceed with the disposal of these properties.
 30. The South Carolina Department of Transportation should evaluate the ROW remnants and determine which pieces have sale potential.
 31. The South Carolina Department of Transportation should use its new asset management program to look for ways to streamline the disposal of excess property, and to investigate better ways to evaluate and market its surplus properties.

Appendices

Appendices

Scope and Methodology

“Real property” is defined as buildings and land. The period for our review covers primarily the past three fiscal years, FY 95-96 to FY 97-98. In order to look at trends in land ownership by state agencies, we used available information from 1986.

We reviewed existing statewide laws and procedures for real property management. We did not review the South Carolina Procurement Code or how this is administered by the Budget and Control Board. Neither did we review issues directly involved with facilities management such as building maintenance or construction costs.

We extensively interviewed officials from the Budget and Control Board’s Office of General Services and reviewed in-depth file documentation for land purchases and disposals. We also conducted about 15 face-to-face and telephone interviews with real property and land officials from other states, including North Carolina, Florida, Texas, and Virginia. We also conducted on-site reviews of inventory and real property management for six state agencies with extensive real estate holdings. These agencies also were chosen for review because they represent a cross-section of the kinds of property owned by the state.

- Department of Natural Resources
- South Carolina Forestry Commission
- South Carolina Department of Transportation
- Department of Mental Health
- University of South Carolina
- Budget and Control Board

We did not include the Public Service Authority (Santee Cooper), the Ports Authority, the Patriots Point Development Authority, and the other authorities. Even though these entities manage extensive and important land holdings, they are independent authorities and generally are not under the purview of the B&CB.

Prior to the start of our review, staff from the Office of General Services were compiling an inventory of the real property titled to the state and to state agencies. We were able to provide some assistance in verifying inventory information obtained from county deed records and agency records. We also were able to obtain a land inventory compiled by the Land Resources Commission (now the Division of Land, Water & Conservation at the Department of Natural Resources) in 1986 and updated in 1998.

We reviewed fixed asset accounts maintained by individual agencies and reported for the statewide Comprehensive Annual Financial Report. We obtained some expenditure information from reports generated by the South Carolina Comptroller General's office and reviewed reports generated by the Office of General Services. We also obtained information about state-owned buildings from the insurance reserve fund, which maintains a database on all insured structures. We did not verify the information obtained from this database, but no computer-generated data was central to the objectives in our report.

We also obtained information on property values from county tax assessors' offices. We also used information from appraisal reports when these were available for the properties reviewed.

This audit was conducted in accordance with generally accepted government auditing standards.

List of Agencies and Other State Government Institutions Owning Property

As the following table shows, not all state agencies actually own real property. Many occupy leased space only. We based this list on the land inventory compiled by the Budget and Control Board. While we tried to verify the acreage owned by the largest agencies, not all agencies had reliable information. This list is as accurate as current information would allow.

| | | Total Acres |
|-----------------------|--|----------------|
| STATE AGENCIES | | |
| 1 | Governors Office (State Law Enforcement Division) | 22 |
| | Governors Office (Office of Executive Policy & Programs) | 9 |
| 2 | Adjutant General | 731 |
| 3 | Budget and Control Board | 3,788 |
| 4 | Firefighter Training Center | 209 |
| 5 | Department of Education | 457 |
| 6 | ETV Commission | 120 |
| 7 | Wil Lou Gray Opportunity School | 105 |
| 8 | Vocational Rehabilitation Department | 187 |
| 9 | SC School for the Deaf and Blind | 147 |
| 10 | Department of Archives and History | 2 |
| 11 | Department of Health and Environmental Control | 121 |
| 12 | Department of Mental Health | 2,241 |
| 13 | Department of Disabilities and Special Needs | 2,717 |
| 14 | Department of Public Safety | 388 |
| 15 | John De La Howe School | 1,216 |
| 16 | South Carolina Commission for the Blind | 4 |
| 17 | Department of Corrections | 11,216 |
| 18 | Department of Juvenile Justice | 1,544 |
| 19 | South Carolina Forestry Commission | 75,808 |
| 20 | Department of Agriculture | 145 |
| 21 | Department of Natural Resources | 155,839 |
| 22 | Department of Parks, Recreation and Tourism | 68,364 |
| 23 | Department of Commerce (Savannah Valley) | 916 |
| | Department of Commerce (Railways Commission) | 52 |
| 24 | Employment Security Commission | 55 |
| 25 | South Carolina Department of Transportation (No Rights-of-Way) | 19,891 |
| TOTAL AGENCIES | | 346,296 |

Appendix B
List of Agencies and Other State Government Institutions Owning Property

| | | Total Acres |
|--|---|--------------------|
| COLLEGES AND UNIVERSITIES | | |
| 26 | The Citadel | 377 |
| 27 | Clemson University | 32,093 |
| 28 | University of Charleston | 51 |
| 29 | Coastal Carolina University | 12 |
| 30 | Francis Marion University | 300 |
| 31 | Lander University | 22 |
| 32 | South Carolina State University | 910 |
| 33 | USC-Columbia Campus | 1,962 |
| 34 | USC-Aiken Campus | 10 |
| 35 | USC-Beaufort Campus | 10 |
| 36 | USC-Salkahatchee Campus | 1 |
| 37 | USC-Sumter Campus | 4 |
| 38 | USC-Union Campus | 2 |
| 39 | Winthrop University | 413 |
| 40 | Medical University of South Carolina | 201 |
| 41 | Technical College of the Lowcountry ¹ | 60 |
| 42 | Denmark Technical College (Acreage Not Available) | |
| Total Colleges and Universities | | 36,426 |
| | | |
| TOTAL Agencies and Higher Learning | | 382,722 |
| | | |
| AUTHORITIES² | | |
| | Patriots Point Development Authority | 465 |
| | S. C. Research Authority | 210 |
| | Santee Cooper (Public Service Authority) | 206,096 |
| | Ports Authority | 7,117 |
| Total Authorities | | 213,889 |
| | | |
| | SCDOT Right-of-Way ³ | 393,223 |
| GRAND TOTAL All State Government Land | | 989,835 |

NOTE: Numbers may not add due to rounding.

- 1 Other technical colleges' lands are titled to an area commission or other entity.
- 2 This information has not been independently verified, and was taken from the DNR Division of Land, Water & Conservation survey and the Budget and Control Board initial review of county tax records.
- 3 The acreage for transportation rights-of-way is 1997 data obtained from the SCDOT.

Agency Comments

Appendix C
Agency Comments

State Budget and Control Board
OFFICE OF GENERAL SERVICES

April 14, 1999

Mr. George L. Schroeder
Director
S. C. Legislative Audit Council
400 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Schroeder:

Thank you for permitting the Office of General Services to respond to the final version of "A Review of South Carolina's Management of State-Owned Land." We agree that management of some aspects of real property operations could be strengthened through additional legislative action. Specifically, we support the idea of revision of Section 1-11-58 to require agencies to report on their land holdings in accordance with specifications set by the Budget and Control Board; changing the law to permit agencies to retain funds generated through sale of surplus properties; and clarifying through law the roles of the agencies and the Budget and Control Board with respect to management of the State's land assets. Additionally, the Office of General Services is already implementing some of the recommendations of the report. We, respectfully, offer the following general observations:

1. The Office of General Services is nearing completion of a verified land inventory which has been reconciled with both county deed records and agency data. In 1998, we completed our first survey of all state agencies holding or owning land in their name and, at this time, we are preparing a second annual survey to which agencies will respond by June 30, 1999. Through this process we will achieve the most accurate inventory of state-owned land available. Keeping the inventory up-to-date with all the informational items outlined in the report will require additional manpower since some of the recommended improvements involve adding data components not contemplated at the time we began the inventory. Some of these components will be subject to frequent changes over time, requiring additional resources to both identify such changes and assure that they have been noted in the inventory.
2. While our current system is not comprehensive in terms of being fully centralized in one agency, we believe the procedures we use for disposing of unused or unneeded land are effective in balancing an agency's interest in determining its future planning against the State's interest in ensuring that asset values are maximized in the disposal process. If there is a missing element in the decision making process by the agency, it may be due to the agency's inability to retain proceeds from property disposal. This is an area that would need to be addressed legislatively. The underlying principle of our current system is that agencies are in the best position to identify which parcels of land should be declared surplus. The agency is usually the sole entity which can evaluate land resource needs in light of the agency's mission, programs and objectives. However, we believe an ongoing review function conducted by the Office of General Services could improve awareness of agency uses of property. It would also make agencies more accountable for proper management of their land resources and could speed up the process of identifying and disposing of surplus real property. Toward this end, the Office of General Services has directed staff to put in place an ongoing review function which will be integrated into the processes associated with maintaining the land inventory.

3. We feel that our current process for disposing of surplus property is fully flexible. While we recognize that real estate transactions often present complicated aspects which slow down and make more difficult the process of disposal in some situations, we believe our process has worked well in most cases. Moreover, the problems cited in the report, in our opinion, would have slowed progress toward sale regardless of what procedures were in place since they relate more to market factors and characteristics of the properties involved than to inefficiency of processes. We recognize that there may be ways to improve our procedures, and the review mentions several which the Office of General Services has already begun to implement. We also agree that a statute on handling surplus property should address the issue of the disposition of funds arising from surplus property sales. We believe that allowing agencies to retain such proceeds, with a stipulation that they may only be used for purchase of other capital assets, may encourage agencies to be more timely in identifying and disposing of real property.

As for specific recommendations of the Report, we raise two important points. The first deals with Recommendations 2 and 5, both of which contemplate exempting the S. C. Department of Transportation, among others, from requirements for annually reporting its real property holdings to the Office of General Services for inclusion in the land inventory. The exemption for this agency in the past has applied only to right-of-way properties. The agency also acquires various parcels of land from time to time for use in its normal business operations. These are part of the inventory, and the agency should not be exempt from reporting on them. We stress that the exemptions should continue to apply only to right-of-way parcels and not to property used in agency operations.

The second point addresses Recommendations 1 and 13. The first recommendation in the report notes that “the General Assembly should consider enacting legislation to establish a strong and more proactive real property management system for the state,” specifically noting that the issue of “where decision-making authority should reside” should be addressed. We agree that a decision should be made by the Legislature on this issue and, consequently, believe that action on Recommendation 13 should be postponed until legislation defines the appropriate locus for decision-making authority. That recommendation suggests that the Budget and Control Board “should establish a system for identifying and disposing of surplus property.” The manner in which we respond to this recommendation will depend on how the Legislature resolves the policy issue of where authority for decision-making on surplus property issues should reside. We, therefore, suggest that the Board does not have the authority to move ahead with acting on the recommendation in this area until new legislation clarifies roles and responsibilities.

Thank you again for working with our agency in developing this review. The information that we have worked cooperatively to develop for the report is a valuable resource and the assistance of your staff in assimilating the information is greatly appreciated. The review process has also been beneficial in providing an opportunity to focus on ways that we can continue to improve our real property management system.

Very truly yours,

Helen T. Zeigler
Director
Office of General Services

cc: Richard W. Kelly, Chief of Staff, S. C. Budget & Control Board
Robert W. McClam, State Building & Property Services

South Carolina Department of Mental Health

April 12, 1999

Mr. George L. Schroeder, Director
Legislative Audit Council
400 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Schroeder:

Thank you for the opportunity to respond to the LAC audit, *A Review of South Carolina's Management of State-Owned Land*. Generally, the Department of Mental Health (DMH) is in agreement with many of the findings and recommendations of the report and wish to commend your staff on their review. However, there are several issues that the Department would like to address as the state seeks to better manage land use.

As stated in the report, DMH owns several large tracts of land, including the South Carolina State Hospital, Crafts-Farrow State Hospital and Killian Lake. In response to our 1998 Strategic Plan, and at the request of the Mental Health Commission, the Department proactively established a land use task force to review the capital development and land use needs of the DMH and to develop a comprehensive five year plan which would take into account both community and inpatient needs. This plan also seeks to ensure that the DMH has adequate facilities for its clients.

One of the chief concerns that we have is that if land is sold, particularly at the South Carolina State Hospital campus, that the Department receives sufficient funds from any sale to construct alternative facilities for clients. Proviso 10.6 of the Appropriations Act allows any proceeds from the sale of land to be retained by the Department for capital needs and we believe it is very important that this be continued. We have an aging and rapidly deteriorating building stock and ever increasing maintenance costs and it may be necessary in the future to build both a new long term psychiatric care facility, and a new forensic hospital as well as replacing leased space for community mental health centers. It will be essential that any funds from the sale of land stay with DMH. We expect the DMH Land Use Task Force to provide a detailed and thorough analysis of our land use and our future needs and we will provide this report to the General Assembly when it is completed late this year.

The Land Use Task Force will be closely reviewing land identified by the Audit Council as potentially surplus property to see if it can be sold. We have already taken action to begin the process of selling at least five of the surplus properties identified by the LAC in Table 3.1 of the report. These include 2.24 acres in Richland County identified as being used as a parking lot by city employees, and residential housing formerly used by psychiatric residents. Funds from these sales will be used for capital needs of the Department.

I would also like to comment on the Babcock Building that is located on our downtown campus. This magnificent old building, which was built in 1858 and contains over 200,000 square feet, is on the National Register of Historic Places. Unfortunately, it is deteriorating and in need of extensive renovation. The DMH has had discussions with the Budget and Control Board's General Services Division regarding the potential use of the building for state agency office space. Given the Audit Council's data that the total square feet of leased state office space has increased 16% and rents have increased 18% since 1989-90, there may be much benefit in renovating this building for state use. It is centrally located in downtown Columbia and is an important historical legacy to the city and state.

Several other parts of the report warrant comment. The Department of Mental Health has land and buildings titled to it and is not opposed to titling these parcels to the state. However, there may be costs that would accrue to the Department to do this and we would request that any requirement for retroactive titling be cost-neutral to the Department. Finally, we commend the LAC for their recommendation regarding the maintenance and erection of signage at the former DMH "colored" cemetery and would welcome action by the Budget and Control Board to ensure this.

In conclusion, the Department of Mental Health stands ready to assist in any land use study or inventory, and to provide any

necessary data. We will always strive to be good stewards of state funds, maintain efficient and effective management of our resources, and most importantly ensure that quality client care is provided to the citizens of South Carolina.

Sincerely,

Stephen M. Soltys, M.D.
State Director of Mental Health

SMS/mb

South Carolina Forestry Commission

April 14, 1999

Mr. George L. Schroeder
Director
Legislative Audit Council
400 Gervais Street
Columbia, SC 29201

Dear Mr. Schroeder:

Enclosed is the South Carolina Forestry Commission's reply to the Legislative Audit Council's audit, A Review of South Carolina's Management of State-Owned Land.

Please accept this report with the knowledge that a letter from the Department of Juvenile Justice is to be a part of the Forestry Commission's reply (see note). This letter will be signed by the Director of DJJ, Ms. Gina E. Wood, and delivered to you on the morning of April 15, 1999.

As requested, a disk with the Forestry Commission's comments to the final report will be provided at the same time the DJJ letter is delivered.

Sincerely,

J. Hugh Ryan
State Forester

/jw

**South Carolina Forestry Commission
Reply to the
Legislative Audit Council (LAC) Report
On
Management of State-Owned Land**

The Forestry Commission feels the LAC report of “South Carolina’s Management of State-Owned Land” makes many good and valid points regarding the overall management and procedure for land and facilities, however, there are a significant number of statements that are invalid when considering specific agencies. Also, a significant number of statements, conclusions and recommendations contradict other parts of the report.

Chapter 2 - Land Inventory, Planning, and Acquisition

The overall findings of this chapter advocate establishment of “a statewide system to strengthen and centralize specific management functions.” The establishment of the system as recommended would require development of a separate agency or organizational entity, “with real estate expertise”, to manage all aspects of real property. Without personnel who understand the specific operation and purpose of user agencies, the decisions and activities of this agency or organizational entity may adversely affect the efficiency and effectiveness of the user agency.

The report refers to the evaluation of land for its highest and best use with very little consideration for an individual agency’s purpose for holding the property. With the exception of office space, most agencies hold land for a wide variety of purposes, most of which support and assist in carrying out the mission and goals of the agencies. Most of the LAC recommendations appear to be based on real estate development as the “best use.” Real estate development may not be in the best interest of the public, i.e. the Jocassee Gorges.

LAC considerations such as investment value, market conditions, environmental considerations, and community interests have a role in decisions to acquire, retain, or dispose of property, but they must not be the only consideration(s) in the final decision. State property which has been developed over a long period and still serves a vital use or purpose should not be disposed of simply because conditions around it change. For example, timberland that has been under management for many years and due to urban growth becomes surrounded by housing, i.e. Harbison State Forest, may be impossible to replace with comparable property.

Land Inventory:

The LAC report implies that because the inventory of state owned land being compiled by the Budget and Control Board (B&CB) Office of General Services has not been completed there is no inventory. Following this assumption, LAC does not recognize or consider deed and inventory records maintained by individual agencies.

The LAC audit team working with the Forestry Commission was advised that the original deed for each land parcel owned is retained in a central file at the state headquarters and a detailed inventory based on this file is maintained in a computer database. This inventory is extensive, including but not limited to, information on location, property and insurance ID numbers, capital improvements associated with individual parcels, acquisition date and cost, grantor information, and deed restrictions. LAC personnel did not review this inventory but advised the Forestry Commission to reconcile the information with the B&CB inventory being compiled. This reconciliation was in progress prior to the LAC audit.

The LAC report states that only one agency reviewed, the SC Department of Transportation (SCDOT) “had an easily obtainable, accurate list of its land holdings”. As stated in the reply to the draft report and repeated above, this statement is simply not true. The Forestry Commission’s property database, consisting of 70+ pages of data was available for review. The audit team chose not to review this database and used data from the B&CB database without verification from the Forestry Commission as to its accuracy.

The development of one system to maintain a fixed asset account, land inventory and building/permanent improvement information as recommended on page 12 of the report is very good in theory, but may not be practical or even possible due to variations of the computer equipment and systems of individual agencies. The Forestry Commission questions why the existing database of one agency is acceptable and another’s not.

Titling Property:

The LAC report refers in several places to the problem of multiple agency names; (such as, SC Forestry Commission, State Commission of Forestry, Department of Forestry) used in deeds or titles for real property. Historic changes rather than improper procedures have created this problem. It would be very costly, time consuming, impractical, and possibly not legal to change every deed each time the agency name changes. Attorney Leighton Lord of Nexsen, Pruet, Jacobs and Pollard indicated a possible solution to this problem would be to record an affidavit listing all names historically used by an agency.

The example given regarding land titled to the Forestry Commission but under the jurisdiction of the Department of Parks Recreation and Tourism (PRT) is misleading and likely to confuse anyone not familiar with the origin and history of the two agencies. The draft reply pointed out that in 1969, the Department of Parks, Recreation and Tourism (PRT) was created by State Law 51-1-10 with the authority under Section 51-1-60 to assume the duties of the Forestry Commission’s Division of Parks. At that time responsibility, operation, and supervision of all state parks was assigned to PRT with actual title of many state parks remaining in the name of the Forestry Commission due to deed restrictions, etc.

The recommendation to henceforth title all property in the name of the State of South Carolina may deter individuals, foundations, and corporations which would contribute land to a specific agency but not to the state for general use.

If this is a statewide system of land management and inventory, what is the justification for exemption of authorities, universities and colleges, and SCDOT? If this exemption is based on the statutory authority to own property, it should be noted that the Forestry Commission also has such authority under several sections of the South Carolina Code of Laws. These sections of law were provided as supporting documentation in the draft reply.

Land Use Planning:

The LAC report seems to narrow the reasons for ownership and therefore the potential uses of land and buildings, as evidenced by the statement, “A master plan could address future land and building needs based on mission and such factors as client population growth and other trends.” The diversity of agency missions and goals clearly points out the need for each agency to develop a land use plan. It would be impossible for one master plan to address and adequately consider all aspects of the mission of each agency in developing a master plan to address all needs on a statewide basis.

The report refers to “attempts” to develop land use plans and lists five specific agencies. The implication is these are the only agencies that have made an attempt to include capital assets in their long-range strategic plan. The Long-Range Strategic Plan of the Forestry Commission clearly considers the use and need of land and facilities in promoting the goals of the agency.

In addition to the agency’s Long-Range Strategic Plan, the Forestry Commission does have a plan that specifically addresses the use of each parcel or management unit owned by the agency. In the case of state forests, the plans are long-range management plans that are very detailed in nature. In the case of tower sites, the land management plan is more general due to the acreage involved and other potential use(s).

Communication Towers on State Land:

The information stated below regarding towers was provided to the LAC in the Forestry Commission’s draft reply.

The LAC report on the use of Forestry Commission land for communication sites is misleading and inaccurate. The Forestry Commission’s goal is to utilize land to its fullest potential and produce the maximum revenue from property which the agency must hold for future use such as communication sites or infrared fire detection sites. This is in agreement with the LAC recommendation for “pro-active” management to use assets to their maximum potential. The concept and agreement for communication tower use was discussed with and supported by all sections of General Services having authority over capital assets prior to final decisions on offering the sites. Additional opinions regarding the legal aspects of the license were obtained from general counsel for General Services, the Attorney General’s Office, and private attorneys. These discussions and approvals were completed in early 1998 after over 12 months of discussion and planning within the Forestry Commission. The final approach to obtaining a license agreement followed the state procurement code and was closely monitored by the Materials Management Office of General Services.

The LAC report indicates that the license agreement excludes use of sites by all state agencies except the Forestry Commission; this is not correct. The license agreement reserves a portion of each site for use by the private company. Any unreserved land can be used by the Forestry Commission to accommodate the needs of other state agencies. The Forestry Commission will work with other state agencies, government entities, and the private company to meet governmental needs and to achieve the best financial arrangement for the state.

In short, the Forestry Commission license agreement was thoroughly planned and developed with input from General Services (Capital Improvements Section, State Building & Property Services, Office of Information Resources, Office of General Counsel). The agreement was executed with wording to insure due consideration would be given to government needs and public opinion before actual tower construction. The Forestry Commission considers this license agreement to be a “pro-active” approach to the management of state-owned land as called for throughout the LAC report.

The Forestry Commission’s experience with tower management agreements will be a valuable asset to the Office of Information Resources’ (OIR) Communication Towers Committee.

Land Acquisitions:

The LAC report suggests an aggressive move toward the exchange of land and facilities between agencies to reduce the acquisition of new facilities. The Forestry Commission strives to accommodate other agencies' needs through low cost lease agreements and use permits without actual exchange or transfer of land or facilities. This approach has been the Forestry Commission's policy for years and works well for all parties. In cases where property is definitely surplus, it is transferred to the Surplus Property Division of General Services for sale.

Chapter 3 - Management of Surplus Property

Surplus Property:

The LAC report indicates that a comprehensive system to identify, evaluate, and dispose of unused or unneeded land and facilities should be established. The five guidelines set forth in the report to determine if property is in fact surplus should be considered, but are not the only factors in determining if property is in fact surplus to agency needs. The audit team used these five guidelines to make a quick uninformed decision in identifying surplus properties listed in the report. A quick review of property by someone not associated or informed on agencies' long-term plans and needs can result in decisions adverse to agencies' programs. A classic example of the problem, is the LAC classification of the Forestry Commission's Piedmont Nursery property in Oconee County as surplus property. This example will be discussed in detail under the section heading Chapter 4 – Individual Agency Land Management.

The Forestry Commission supports the LAC recommendation to allow the proceeds from all surplus property sales to be retained and used by the individual agencies. This practice will encourage agencies to declare unneeded property surplus.

The LAC report states "land that sits unused is a waste of state assets", however, in the case of the Forestry Commission what may appear to be unused land to some may be well-stocked, highly-productive forestland generating revenue for the state and jobs for the local community. The argument that state-owned land reduces the local tax base and deprives the county of taxes is incorrect insofar as the Forestry Commission is concerned.

The Forestry Commission pays 25% of gross proceeds from the sale of forest products produced on state land to the county in which the land is located in lieu of taxes. The 25% paid by the Forestry Commission is based on timber sales, pine straw sales, recreational fees, land rental income, as well as income generated by the tower site license agreement discussed elsewhere in this reply. Over time these payments can exceed annual ad valorem taxes on privately held property.

Chapter 4 - Individual Agency Land Management - Forestry Commission

State Law 48-23-90 charges the SC Forestry Commission with the duty to protect the state's forestland and promote forestry in South Carolina. The Forestry Commission's mission is to promote and conduct multiple-use forest management throughout the state by working with private landowners and demonstrating good forest management practices on its land holdings. Multiple-use forest management includes production of forest products (timber, pine straw, tree seed and other products), environmental enhancement, wildlife management, forest research, forest-based recreation, and natural resource education, all of which are land based.

Inventory:

The Construction and Land Section of the Forestry Commission maintains a complete inventory of all land and facilities owned by the agency. This inventory includes property decal numbers from both the agency and state records, insurance reserve identification numbers, deed and legal information, acquisition cost, appraisal values, insurance coverage, location (by county), responsible party within the agency, and other pertinent information. Since this inventory covers all real property, land and buildings, regardless of value, it is more extensive than the state required fixed asset inventory. A computer spreadsheet was developed in 1997 to record inventory data and to expand the information kept on each item. The present inventory combines in-house inventory information, B&CB inventory records, and Insurance Reserve Fund records, all of which were verified from the master deed file located at the Forestry Commission headquarters.

The report refers to county records, which show Forestry Commission land, which was disposed of many years ago. As explained in the draft reply this land was still recorded on county deed records as being owned by the Forestry Commission because the grantee did not record the deed given to them by the Forestry Commission. The Forestry Commission handled this transaction correctly. County deed records show a chain of title, and if deeds are not recorded such as in this case, confusion and questions of ownership can arise.

The recorded acreage for Manchester State Forest (MSF) was based on the original deed given to the Forestry Commission by the US Department of Interior. This deed referenced approximately 246 different deeds (parcels) with a total acreage of $\pm 28,718.59$, which made up the total transfer. The present acreage figure varies somewhat from the original grant due to land exchanges and acquisitions over the last 44 years. Extensive research was started prior to the LAC audit to assure that all exchanges and acquisitions as well as the original acreage were properly recorded on the Forestry Commission inventory. The present acreage of MSF is $\pm 23,788.41$ acres.

Poinsett Weapons Range Exchange:

The 1994 land exchanges between the Forestry Commission and the U.S. Air Force (USAF) transferred 12,521 acres from state ownership to the USAF. To provide the land package and boundaries desired by the Air Force, 812 acres of private land was acquired and included in the exchange package. The 812 acres were purchased with funds generated by the land exchange. The B&CB approved the exchange package and gave the Forestry Commission authority to replace the total 12,521 acres transferred from state ownership to the USAF.

The LAC reference to land values for Myrtle Beach Air Force Base (MBAFB) and for Poinsett Weapons Range are misleading. The audit report uses today's values for land sales at MBAFB and compares them with the value of the weapons range package in 1993. The value of both parcels in 1993 was considered equal according to appraisals done prior to the exchange. The comparison made by LAC does not consider increases in timber and land values on the weapons range when comparing its value with the present sale values of parcels at MBAFB. These adjustments would significantly reduce the apparent difference in present day values for the parcels.

The Forestry Commission has submitted a plan to the 1999 General Assembly to allocate funds for the benefit of both the Forestry Commission and state government in general. Under this plan, a significant portion of the Forestry Commission's funds, will be used for deferred maintenance and capital improvements.

Piedmont Nursery:

The Forestry Commission strongly disagrees with the LAC opinion that the Piedmont Nursery site in Oconee County is surplus property. This entire property (the original 205.7 acres and the two acquired parcels) plays a vital role in the overall mission and the Long-Range Strategic Plan of the Forestry Commission. In view of the future uses of the property, the Forestry Commission has established this tract as the Piedmont Forestry Center.

The Piedmont Forestry Center encompasses genetically superior white pine and virginia pine seed orchards, a hardwood seed orchard and numerous forest tree progeny test plots. These orchards will provide seed and seedlings in the future for planting trees on public and private land for the production of timber, christmas trees, and enhancing the environment. The progeny test plantings are genetically improved trees, which are evaluated and used in the development of the Forestry Commission's tree improvement program. The parentage of every tree in the test plot is identified and each family is evaluated over time for its growth, straightness, and genetically superior characteristics. It is essential that the Forestry Commission retain these plantings in order to continue the tree improvement program that began in the early 60's. This program insures that the Forestry Commission will be able to provide the resources that enable South Carolina to continue to be a national leader in the forest industry.

The additional acreage on this site was purchased to protect the watershed of the original parcel and to aid in control of the site regarding encroachment and land use of the area surrounding the original parcel. Other benefits to this acquisition provide additional "mountain land" which can be managed to demonstrate to private landowners multiple-use management (timber production, wildlife management, recreation, watershed protection, and associated amenities) and for use in training professional foresters, private landowners, and the general public in forest management techniques. These benefits will be enhanced by the presence of managed natural mountain hardwood stands, 75 acres of white pine plantations and 214 acres of loblolly pine plantations.

The loblolly plantations on the site are especially vital for educational and demonstration purposes as loblolly is South Carolina's most economically important tree species. The fiber production component of the loblolly pine plantations will provide well-managed demonstration areas not available on the Jocassee Gorges property, which contains only 139 acres of loblolly plantations on the entire 32,000 acres.

The Long-Range Strategic Plan of the Forestry Commission expresses the need for a training facility for mountain forest timber types. The acreage at the Piedmont Forestry Center will serve this purpose due to the variety of timber types. The permanent improvements on the original parcel offer a base for construction of a training facility that can be used for natural resource education and refresher training for natural resource professionals.

The Forestry Commission's efforts to cooperatively provide land and facilities to other state agencies and government entities are exemplified by the multiple uses of this 703-acre parcel. The Forestry Commission makes the property available to the Department of Natural Resources (DNR) to provide dove shoots for juvenile hunters and with DNR's help, hosts the Oconee County Fishing Rodeo annually. This event makes available a day of mountain trout fishing for approximately 1300 young boys and girls, including handicapped children.

An additional full time use on the property is the operation of a "female wilderness camp" by the Department of Juvenile Justice (DJJ). Extensive cooperation and effort between the Forestry Commission and DJJ were required to make this camp and a similar "male wilderness camp" on Sand Hills State Forest a reality (see attached letter from DJJ).

The activities of the Forestry Commission at the Piedmont Forestry Center since mid-1996 demonstrate beyond question that it is a necessary facility being aggressively used to carry out many of the Forestry Commission's goals stated in the Long-Range Strategic Plan. The addition of valuable growing timber, increases the importance of the center as a prime forestry location for carrying out the overall mission of the Forestry Commission.

The LAC statement "since SCFC does not envision developing the Oconee sites," is exactly opposite of all information provided to the LAC and all verbal discussions with LAC staff. The LAC staff statement that no revenues have been generated by this property demonstrates a lack of understanding in regard to forest management and conservation practices. Forest products are harvested and revenues produced according to cutting cycles which are determined by growth, market conditions, management goals, and related factors. The Oconee property will produce significant revenues and public benefits. The revenue information provided to the LAC for other lands owned by the Forestry Commission showing monies paid to counties in lieu of taxes should have been noted when the LAC discussed the Oconee property.

The only reason that the Piedmont Forestry Center is not fully developed and staffed is a lack of funding. This lack of funds was addressed in a 1999-2000 funding request.

The above information along with correspondence, proposals, and a scrapbook of past and present activities at the Piedmont Forestry Center was provided to the LAC along with the draft reply. The Forestry Commission questions the audit team's utilization of these materials and the LAC stated criteria for determining surplus property status as it relates to the Piedmont Forestry Center. According to the LAC staff, they did not visit this property prior to identifying it as surplus property. The question as to why there was no site visit was addressed at the exit conference and the LAC staff indicated they did not have time to visit the property. On page 55 of the report, LAC states "we also conducted about 15 face-to-face interviews and telephone conversations with real property and land officials from other states including North Carolina, Florida, Texas, and Virginia." If there was time for 15 face-to-face interviews and telephone conversations to be conducted with out-of-state officials, the Forestry Commission feels the LAC staff should have made time to visit the Piedmont Forestry Center before declaring it surplus property.

Department of Juvenile Justice

April 15, 1999

Mr. J. Hugh Ryan
State Forester
SC Forestry Commission
5500 Broad River Road
Post Office Box 21707
Columbia, SC 29221

Dear Mr. Ryan:

I was concerned to learn that the South Carolina Forestry Commission property in Oconee County has been identified as surplus in the recently completed Legislative Audit Council Review of the Management of State Owned Land. As you know, our female wilderness programs is situated on the west tract. This program is our only female wilderness program in South Carolina, and is a very important component in our array of services. The property provided by the Forestry Commission, at no cost to our Department, is considered to be ideal for this program. The natural setting is extraordinary and offers the young women a therapeutic environment which is unsurpassed in South Carolina.

Forty-eight females have been served in the program since opening one year ago. Additionally, the program has contributed significantly to the local community. The females have completed eighty hours of community service in the area and throughout the state. Twenty-seven staff members are employed in the program and twenty-three reside within the local community. The program purchases approximately \$9,000 a month in goods and services from local vendors. Facilities at the site are valued at approximately \$800,000.

As you know, we have had preliminary discussions with you about the location of a second program on the east tract. We appreciated your receptiveness and wish to keep this dialogue open in the future, if local leaders are supportive of such a project.

The cooperative spirit demonstrated by you and other Forestry Commission staff has been exceptional. We appreciate your support and want to let you know how important this project is for the juveniles we serve.

Sincerely,

Gina E. Wood
Director

GEW/sro

University of South Carolina

April 13, 1999

George L. Schroeder, Director
Legislative Audit Council
400 Gervais Street
Columbia, South Carolina 29201

Re: Audit Comments
 “A Review of South Carolina’s Management of State Owned Land”

Dear Mr. Schroeder:

I am enclosing the University’s final written comments regarding the above referenced audit. The comments consist of one type page.

The University was happy to cooperating with your staff during this review.

Sincerely,

Charles G. Jeffcoat
Director/University Architect

/lbj
enclosure

c: Kathy Snider w/enclosure
 John Finan w/enclosure
 Lyles Glenn w/enclosure
 Terry Parham w/enclosure

University of South Carolina's Response to Audit
"A Review of South Carolina's Management of State-Owned Land"

The Wedge Plantation

The Wedge Plantation is a rare coastal asset. It's uses and value range from those of a significant research center to a hunting reserve designed to ensure the property is maintained in a natural, wilderness condition. Although its current highest and best use is that of a hunting reserve, the property has great potential for continued coastal research. As such, the University believes it is in the best interest of the University and the State of South Carolina to retain ownership of the property. The University will continue to properly maintain and manage the property, thereby protecting the Wedge's current and future value. The revenue stream generated from a forest management plan and the lease with the current tenant have allowed the University to maintain the property in a natural, wilderness condition, and the structures and equipment in good condition at a substantially reduced expense to the University. It should be noted that University is following the recommendation on page 34 of the audit, that is, "Leasing out the property until such time as it can be used or sold."

Donations of Unimproved Land

Efforts will be made to determine if properties outside the core campus can be used for educational or research purposes or related income-producing purposes. If no such value can be identified the properties will be considered for disposal according to existing State procurement system.

Better Inventory System Needed

The University agrees that a better, more comprehensive, real estate inventory needs to be developed and maintained. The Office of Facilities Management and the Office of General Counsel will collaborate to develop and maintain such a system.

South Carolina Department of Natural Resources

April 12, 1999

Mr. George L. Schroeder, Director
Legislative Audit Council
400 Gervais Street
Columbia, SC 29201

Dear Mr. Schroeder:

I have reviewed the final copy of the audit "A Review of South Carolina Management of State-owned Land" have no additional comments regarding this report.

Sincerely,

Paul A. Sandifer,
Director

South Carolina Department of Transportation

April 14, 1999

Mr. George L. Schroeder
Director
Legislative Audit Council
400 Gervais Street
Columbia, SC 29201

Re: A Review of South Carolina's Management of State-owned Land

Dear Mr. Schroeder:

Enclosed are the comments of the South Carolina Department of Transportation to the Legislative Audit Council's referenced audit. We request that these comments be included as an appendix to the report.

We appreciate the work of your staff in performing the audit and preparing your report. We believe the staff fairly presents the Department's property management program in the report and incorporates our comments and concerns. We request that our comments be included only because we want to make sure our concerns about the use of proceeds from the sale of SCDOT surplus properties is clearly communicated to the Legislature.

Thank you for giving the Department the opportunity to work with the LAC in this matter.

Sincerely,

Elizabeth S. Mabry
Executive Director

ESM/lcm

Cc: Morgan Martin, Commission Chairman

File: LCM. TC

**Comments of the South Carolina Department of Transportation
Regarding
The South Carolina Legislative Audit Council's Report to the General Assembly
*A Review of Management of State-Owned Land***

The South Carolina Department of Transportation (SCDOT) agrees with the Legislative Audit Council's (LAC's) recommendation that SCDOT highway rights of way should be managed separately from other state-owned land. (See page 50.) Because such lands are held solely for highway purposes it is generally recognized in other states that the management of such lands is appropriate for the state department of transportation rather than a centralized, statewide, land management entity.

Because the General Assembly has already established a statutory scheme for SCDOT's management of lands, the SCDOT believes the present management system is adequate to ensure proper management of all SCDOT lands and buildings (including not only highway rights of way lands, but other SCDOT lands and buildings as well.) SCDOT is following the existing statutes which require SCDOT to keep an accurate inventory of its properties and accurate and complete records of all property transactions. (See S. C. Code Sections 57-5-340 and 57-5-550 and pages 10 and 50 of the LAC Report.)

Any plan to include SCDOT lands and buildings in a statewide plan governing the disposition of such properties could have unintended and adverse impacts on funding for highway construction and maintenance. All properties held by SCDOT were funded through federal and state revenues allocated specifically for highway purposes and statutes and regulations require that such funds be utilized exclusively for such purposes. (See S. C. Code Section 12-28-2720 and 23 U.S.C. 126.) Therefore, any action to include any SCDOT lands and buildings in the statewide scheme should restrict the assets and the funds from the disposition of the assets for SCDOT use.

The SCDOT provides the following specific responses to the LAC's recommendations:

- 1. The General Assembly should consider enacting legislation to establish a stronger and more pro-active real property management system for the state.**

SCDOT Comment. SCDOT already has a property management system within SCDOT in place under existing statutes and SCDOT is willing to fully cooperate with the Budget and Control Board in sharing information collected by SCDOT under this system. However, SCDOT believes that decision-making authority over lands and buildings purchased with revenues dedicated to highway or SCDOT purposes should be retained by SCDOT for optimum management.

- 2. The General Assembly should consider amending Section 1-11-58 of the South Carolina Code of Laws to require the Budget and Control Board maintain a complete inventory of all state-owned real property. In order to facilitate this effort, agencies should be required to annually report information in a format satisfactory to the Budget and Control Board. State properties held by the SCDOT, and the properties held by the Santee Cooper and the other authorities, should be exempt from this requirement. SCDOT could provide data from its already established inventory.**

SCDOT Comment.

SCDOT agrees with LAC that SCDOT lands and buildings should be exempt from this requirement. The General Assembly has already established a statutory procedure requiring the inventory of SCDOT properties. (See S. C. Code Section 57-5-340.) SCDOT is following this statute as noted in the LAC Report, page 10.

If SCDOT-owned lands and buildings were not exempted from any suggested amendment to Section 1-11-58, the amendment could have a more far-reaching, and we believe unintended, effect on the funding of highway construction, maintenance and improvements in this State. Section 1-11-58 (1) provides that the funds received from the sale of State surplus properties shall be deposited in the general fund. This is in direct conflict with Section 57-5-340 which provides that the proceeds derived from the sale of SCDOT surplus property “shall be credited to the funding category from which funds were drawn to finance the department’s acquisition of the property.” The acquisition of SCDOT properties were funded from the State Highway Fund, which in turn is funded by the gas tax revenues. Gas tax revenues are dedicated to the purposes of the SCDOT by law. (See S. C. Code Section 12-28-2720.) Therefore, the proceeds from the sale of properties owned by SCDOT should be returned to the State Highway Fund for SCDOT purposes.

SCDOT properties purchased with funds from the gas tax should also be exempted because upon sale of the property, the federal share of the proceeds must be returned and the remaining funds are used to fund road maintenance and construction.

3. The Budget and Control Board should fully computerize the state land inventory once the data are collected and verified, and should determine whether it can be integrated with other real property databases, specifically the insurance reserve fund database.

SCDOT Comment.

SCDOT is willing to share information from its inventory with the Budget and Control Board.

4. The Budget and Control Board should coordinate on-going development of the state land inventory with the Division of Land, Water and Conservation’s inventory of public lands.

SCDOT Comment.

None.

5. The General Assembly should consider enacting legislation for the titling of state owned property. Land owned by authorities, universities, and the SCDOT should be exempted.

SCDOT Comment.

We agree that land and buildings purchased by SCDOT, or its predecessor agencies, should be exempted from titling requirements. This is in accordance with current law which allows the SCDOT to own such real estate as it deems necessary for the proper operation of the SCDOT. (See S. C. Code Section 57-5-310.)

6. The General Assembly should consider enacting legislation to require property-owning agencies to develop land use plans that address future needs, acquisition and disposal of property, coordination with other state agencies, deferred maintenance, and the extent to which the state should lease versus own property.

SCDOT Comment.

We agree that such land use plans are appropriate. SCDOT is undertaking to develop a Total Asset Management Program to ensure optimum management of its property. SCDOT is willing to cooperate with the Budget and Control Board by sharing information and data from its Program.

- 7. The Budget and Control Board, in consultation with the land-owning agencies, should develop guidelines for the plans and coordinate this effort.**

SCDOT Comment.

SCDOT would be willing to cooperate with the Budget and Control Board in developing such a comprehensive plan.

- 8. The General Assembly should determine whether leasing state real property for private communication towers is an appropriate use for state-owned land.**

SCDOT Comment:

SCDOT is represented on the Budget and Control Board's Office of Information Resources Committee on Towers. This committee is actively studying options for the best use of state owned towers.

If the General Assembly decides to allow leasing of state property for private communication towers, the General Assembly should clarify its prohibition against the use of state highway right of way for commercial purposes in S. C. Code Section 57-5-350.

- 9. If the General Assembly decides this is an appropriate use, then it should enact legislation requiring the Budget and Control Board as soon as feasible to develop a system for the use of state property for communications towers to ensure that the state, as a whole benefits from these sites.**

SCDOT Comment.

See response to 8 above.

- 10. The General Assembly should consider amending SC Code 1-11-57 to require agencies to send to the Budget and Control Board a copy of a deed to real property at the time the deed is recorded by the county.**

SCDOT Comment.

None.

- 11. The Budget and Control Board should amend its permanent improvement procedures.**

SCDOT Comment.

None.

- 12. The Budget and Control Board should also determine the feasibility of having the Office of General Services take a more active role in managing real property acquisitions.**

SCDOT Comment.

None.

- 13. The Budget and Control Board should establish a system for identifying and disposing of surplus property.**

SCDOT Comment.

As noted above, SCDOT is already required by law to identify and dispose of its surplus property pursuant to S. C. Code Section 57-5-340.

- 14. The Budget and Control Board should review the surplus property identification and disposal procedures used by the federal government and other states.**

SCDOT Comment.

None.

- 15. The General Assembly should consider enacting legislation to standardize how the proceeds from the sale of surplus property are to be used. If agencies are allowed to keep the proceeds, the legislation should require that they be used to fund capital improvements and other non-recurring needs, once any federal requirements for reimbursement are satisfied.**

SCDOT Comment.

The proceeds of sale from SCDOT surplus property should be returned to SCDOT to avoid the violation of existing statutes. All land purchased for use by the SCDOT is purchased with funds from the gasoline tax which is dedicated by statute to SCDOT purposes. (See S. C. Code Section 12-28-2720.) Funds obtained from the resale of such property must be returned to the original funding source pursuant to law. (See S. C. Code Section 57-5-340.) The existing statutory scheme should be retained because the proceeds from the sale of SCDOT surplus properties are needed for SCDOT purposes.

- 16. The General Assembly should consider enacting legislation to address how the proceeds from the sale of timber are to be used.**

SCDOT Comment.

No comment.

Recommendations 17-27 were not included in the report given to SCDOT.

- 27. The Department of Transportation should investigate the costs of cleaning up the former maintenance sites and proceed with the disposal of these properties.**

SCDOT Comment.

The old Richland County maintenance facility is covered by the Superb Fund and the cost of clean up would be covered by that Fund when funds are available. The SCDOT will dispose of these properties as expeditiously as possible.

- 28. The Department of Transportation should evaluate the ROW remnants and determine which pieces have sale potential.**

SCDOT Comment.

SCDOT's business plan includes a goal to improve management of its properties. In an effort to reach this goal, SCDOT is working on a comprehensive Total Asset Management Program. The Rights of Way Section of SCDOT has included in its business plan an initiative to develop a marketing plan before the end of the State fiscal year 98/99 and to begin marketing right of way remnants during state fiscal year 99/00.

- 29. The Department of Transportation should use its new asset management program to look for ways to streamline the disposal of excess property, and to investigate better ways to evaluate and market its surplus properties.**

SCDOT Comment.

SCDOT agrees. A component of the new asset management program will be expeditious marketing and disposal of surplus property.

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